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THE OUTLOOK

Plans for Foreign Loans to Help Trade—Dangers of Further Inflation—Standard Oil on Stock Exchange—More Treasury Certificates—General Business Active—The Market Prospect

IMPORTANT events have followed each other thick and fast in the fields of business and investment. It is clear that many of the plans now on foot will have far reaching results. Coming into the midst of a situation already replete with new features and industrial conditions still confused by the aftermath of the war, these new developments have left investors very much at sea as to the outcome.

As to business prospects, however, the outlook is much clearer and is almost uniformly favorable for the immediate future.

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Edge Bill and Rediscounting

THE Edge Bill, which has just been favorably reported by the Senate Committee, and which follows the lines which were indicated in advance by Governor of the Federal Reserve Board Harding in our last issue, is the most important step now under consideration toward the solution of our trade problems.

It provides that American exporters may accept the notes of foreign buyers in payment for goods, such notes to be secured by mortgages or other similar collateral. On the basis of such notes, finance corporations under Federal charter may issue debentures to be sold to American investors. Every step in the transaction would be under the supervision of the U. S. Government through the Federal Reserve Board, and would thus be thoroughly safeguarded, but the debentures would not be guaranteed by the U. S. Government, although the foreign notes beneath the debentures might in many cases be guaranteed by foreign governments.

A very important consideration is whether these debentures would be available as collateral for notes to be rediscounted at the Federal Banks. Rediscounts based on Government bonds and Treasury certificates are so tremendous and have declined so slowly that a further extension of rediscounting would be viewed with concern by conservative bankers.

The original bill did not provide for such rediscounts, but as amended by the Senate Committee this point seems to be left to the discretion of the Federal Board. So far the Board's attitude toward the further extension of credit in this form has perhaps been as firm as circumstances permitted, but it is certain that under such a new law strong pressure would be brought to bear on the Board to permit rediscounts on the debentures as collateral. Indeed, to those who do not fully appreciate the dangers of over-extended bank credits, these rediscounts might seem almost a necessity.

In the absence of rediscounting, the amount of credit that could be extended to foreign buyers would depend almost entirely upon the investment capital that could be attracted to the proposed debentures, and such capital would have to come from savings or business profits or from the sale of other securities. It is true that banks might be able to make moderate loans on the debentures, thus aiding their customers to buy on credit, with-

out the aid of rediscounts at the Federal Banks; but the banks are already loaned up to such an extent that credit devoted to this purpose would in great part have to be obtained by limiting credit in other directions.

If this question of rediscounting is left to the Federal Board, it may be assumed that rediscount would be granted reluctantly if at all, for the Board is fully alive to the dangers of further inflation.

In fact, the Federal Bank of New York has recently been carrying about all the bills permitted by the Federal Reserve Law. That law requires a reserve of 35% against deposits and 40% against reserve notes in circulation. In a recent week, after allowing the minimum of 35% against deposits, only 44% remained against the notes—within 4% of the limit. As a result of immediate efforts to improve that position, this ratio has been raised from 44% to 50%; but in these times of big financing that margin is none too large.

In the absence of rediscounting on the debentures as collateral, it is probably safe to say that sales of the debentures to American investors would not be large enough to supply foreign buyers with sufficient purchasing power to do away with the premium they now have to pay for our goods because of the unbalanced foreign exchange situation. In fact, in view of the acute needs of Europe for goods, it is a question whether that foreign exchange premium would be greatly reduced from present figures.

In two words, it would be difficult for American investors to provide enough credit to maintain our exports unless the Federal Board should come to the rescue with rediscounts; while if rediscounts were authorized, a further price inflation in this country—as a result of inflated credits—would be pretty sure to result, and this higher price level would soon begin to hamper the very exports which the rediscounts were intended to facilitate.

The whole question affords an excellent illustration of the dangers of trying to improve on the natural working of economic law. Eventually, Europe must pay for our goods in its own goods or in gold. That is the only final solution. We may well temper this acute situation by lending Europe our savings, but if we go further and inflate our credit position in order to lend more, we are achieving a transitory and for the most part illusory gain at the expense of a further disturbance of an already much disturbed situation, a further rise in the cost of living, further unrest of labor, and all the other evils which accompany inflation.

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Standard Oil Publishes Earnings

THE proposal to list on the New York Stock Exchange the $100,000,000 new preferred stock issue of Standard Oil of New Jersey, accompanied by the statement of earnings required by the Exchange, has given rise to an active play of imagination on the part of news writers. Without necessarily accepting the theory that this is only the forerunner of many similar Standard Oil new issues, and that Standard Oil and Morgan interests will therefore have to maintain the market to facilitate such distributions, the event is certainly significant of a new attitude in two directions—publicity of earnings, and a desire to attract the public's money.

If this move should be followed by the publication of the earnings of other Standard Oil companies, a great step in advance would have been recorded—for nothing else contributes so much to the broadening and sound development of investment markets as full and frank publicity.

Standard's invitation to the public to invest warrants the conclusion that its managers see good opportunities for rapid expansion and profitable business. It will be remembered that the New Jersey company does a large foreign business. Evidently it is planning to reach out still further in that direction.

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Government Borrows—Prosecutes U. S. Steel

SECRETARY GLASS announces the renewal of the issue of Treasury certificates, $500,000,000 or less to be issued twice a month. He estimates total issues for the remainder of 1919 at $3,500,000,000, but most of these will be balanced by maturities, so that the net increase

outstanding should not much exceed $500,000,000 by Jan. 1. While this outlook is relatively favorable, it means, on the other hand, that bank loans on Government paper are not likely to fall off heavily this year. Some moderate decrease, however, may reasonably be hoped for.

Government aid to the railroads for the purchase of needed new equipment is still delayed. In view of the big demands on the Government from every direction, this is not surprising. Nevertheless the equipment is badly needed by some roads. They will have to have it eventually, and with the present strong tendency of prices there is little to be gained by delay. These continued postponements make little difference to the equipment companies, since they are busy in the meantime, and the postponed railroad demand must come forward in time. It is reasonably certain that the roads will be handed back to their owners Jan. 1, but the details of the plan are not yet determined. It is understood that Congress has made some progress in the matter and that a tentative bill may soon be introduced.

At the October term of the Supreme Court the Attorney General will proceed to the reargument of the case against the U. S. Steel Corporation and eight other cases under the Sherman Anti-Trust Law, which still stands on our statute books in spite of the fact that the country has become pretty thoroughly convinced that it is out of date and needs complete revision if not repeal. It remains to be seen what the effect of these prosecutions will be on the industrial situation. It can hardly be favorable.

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General Business Continues Active

EXPORTS of $918,000,000 worth of merchandise in June, with imports of only $293,000,000, making our "trade balance" $625,000,000, undoubtedly mark the climax of our exports. The outward movement of foodstuffs for the relief of Germany was very large in June. Imports, while below May, have been exceeded by only one other month in our history, and the general tendency will be toward a further increase. The big exports go far toward explaining the activity of our business and the rising tendency of prices.

While our bankers will arrange some plan for the extension of large credits to Europe, such credits can hardly take the place of the great liberality of the U. S. Government, which has now advanced practically all of the $10,000,000,000 allotted to that purpose.

In domestic trade the feature has been the desire to cover future requirements at current prices, instead of waiting for any possible decline. The Ford Company, for example, is reported as trying to cover its steel needs for a year ahead. While there are still some industries which do not fully sympathize with the general activity, they are strictly exceptional, and good business is assured for the remainder of 1919.

Labor conditions continue very much disturbed, due in part to the renewed rise in the cost of living and in part to a scarcity of labor which results from the return home of many former immigrants.

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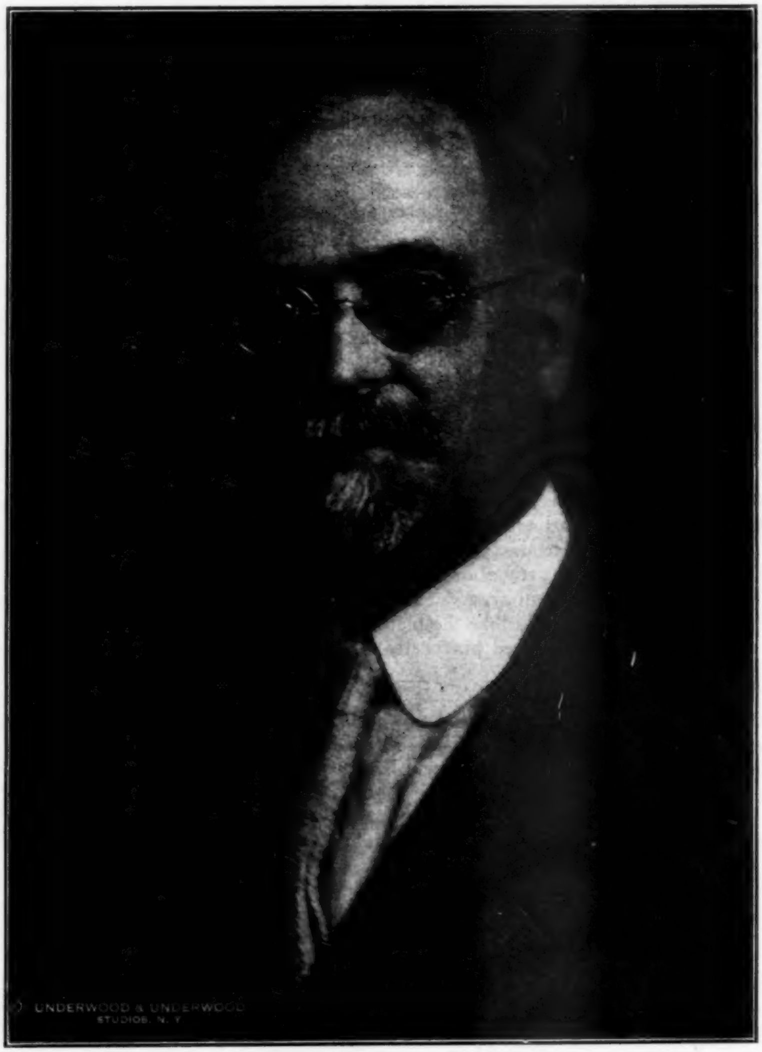
Market Prospect

THE general level of bond prices changes but little from month to month, and no advance is likely while offerings of new securities continue so large, but bonds are so low that the next big swing will have to be upward. Industrial preferred issues have risen somewhat in sympathy with the common stocks, but many good bargains are still available.

Railroad stocks are not able to follow the industrials in their upward flight. The best of the rails are in a sound investment position, and we are inclined to expect some betterment in their prices before the end of the year.

Many industrial common stocks are now, in our opinion, higher than the situation justly warrants. Wall Street loans are large, and with time money on all-industrial collateral ruling 7½% it will be more and more difficult to extend loans further.

Tuesday, July 29, 1919.



PROF. IRVING FISHER

High Price Level Will Stay

High Prices Not Chiefly Due to Scarcity, but to the Tremendous Increase in the Volume of Money and Credit—Vast Increase in Deposit Banking—Why Present Prices Will Continue

By Prof. IRVING FISHER

Editor's Note.—Prof. Irving Fisher of Yale, is one of the world's great authorities on the relation of commodity prices to money and credit. His views on this subject expressed before the war have been amply borne out by the sensational price changes resulting from the war. In this article, he brings out with unusual clearness the cause of the great rise and the reasons why it is likely to be maintained for a considerable time to come.

WHY are prices so high? Will they drop? Can they be stabilized? This problem of the price level is world-wide. It is my belief that it is to remain a great problem for a long time ahead. If this be true, it is essential that we should understand the chief causes of the price upheaval.

The almost universal rise of prices cannot be ascribed to scarcity. Prices have risen of many goods not affected by the war or in countries remote from the war.

In the United States, while certain things have become scarce, including certain foods, the general mass of goods has been actually increased as a consequence of war.

The raw materials used in the United States in 1918 were 16% more than in 1913 and 2% more than in 1917. The physical volume of trade is estimated variously to be in 1918 from 22% to 41% above that in 1913 and 8% above that in 1917.

Monetary Factors.

The truth is that the chief causes of the rise of prices in war times are monetary causes. It is almost invariably true that the great price movements of history are chiefly monetary. This is shown, in the first place by the fact that countries of like monetary standards have like price movements. Thus—to consider gold-standard countries—there has usually been a remarkable family resemblance between the curves representing the rise and fall of the index numbers of the United States, England, Canada, France, Belgium, Holland, Scandinavia, Germany, Austria and Italy. Again, the price movements in silver countries show a strong likeness, as in India and China between 1873 and 1893. On the other hand, we find a great contrast between gold and silver countries or between any countries which have different monetary standards.

In the present war the data are still too meagre to enable us to express all the relations in exact figures, but we may arrange the different countries in the approximate order in which their prices have risen. The order of the nations corresponds, in general, with the order in which the currency in those nations has been inflated by paper as well as with the order in which their monetary units have depreciated in the foreign exchange markets.

This order—of ascending prices and of inflated currency—is as follows, beginning with the least rise and inflation: India, Australia, New Zealand, United States, Canada, Japan, Sweden, Switzerland, Denmark, Italy, Holland, England, Norway, France, Germany, Austria, and Russia.

The ups and downs of prices correspond with the ups and downs of the money supply. Throughout all history this has been so.

The present war furnishes important examples of this. In the United States the curve for the quantity of money in circulation and the curve for the index number of prices run continuously parallel, the price curve following the money curve after a lag of one to three months. It was in August, 1915, that the quantity of money in the United States began its rapid increase. One month later prices began to shoot upward, keeping almost exact pace with the quantity of money.

In February, 1916, money suddenly stopped increasing, and two or three months later prices stopped likewise. Similar striking correspondences have continued to occur with an average lag between the money cause and the price effect of about one and three-quarters months.

On the whole, the money in circulation in the United States rose from three and one-third billions in 1913 to five and a half billions in 1918, and bank deposits from thirteen to twenty-five billions, both approximately corresponding to the rise in prices.

Taking a world-wide view, the money in circulation in the world outside of Russia has increased during the war from fifteen billions to forty-five billions and the bank deposits in fifteen principal countries from twenty-seven billions to seventy-five billions. That is, both money and deposits have trebled; and prices, on the average, have perhaps trebled also.

The Bolsheviki are a law unto themselves. They have issued eighty billion dollars of paper money, or more than in all the rest of the world put together. Consequently prices in Russia have doubtless reached the sky, though no exact measure of them, since the Bolsheviki regime, is at hand.

The increase of over thirty billions in the money of the world (outside of Russia) is, as O. P. Austin says, "more, *in its face value,* than all the gold and all the silver turned out by all the mines of all the world in the 427 years since the discovery of America."

The conclusion toward which the foregoing and other arguments lead is that in this war as in general in the past, the great outstanding disturber of the price level has always been money.

Money is so much an accepted convenience in practice that it has become a great stumbling block in theory. Since we talk always in terms of money and live in a money atmosphere, as it were, we become as unconscious of it as we do of the air we breathe.

It is curious that every time inflation of any kind has visited a country the public has had to be reeducated. The evils of colonial and continental paper money were forgotten by the generation of the Civil War, and the evils of the greenbacks of that war were forgotten by the people in the last war.

As Prof. Cassel of Sweden well says, "Inflation has always, in periods of inflation, been denied by the majority of practical men. In the present period of the most general inflation monetary history has seen, all nations are unwilling to acknowledge the depreciation of their own money, though the depreciation of foreign monetary standards may be clearly understood and even strongly emphasized."

As I have often stated, in my opinion, prices are not going to fall much. We are on a *permanently* higher price level, and the sooner the business men of the country take this view and adjust themselves to it the sooner will they save themselves and the nation from the misfortune which will come if we persist in our present false hope based on a false analogy with our Civil War experience.

Let us examine the factors upon which any future price movements must depend.

1. *Gold will not return to circulation.* No great effect in the direction of falling prices can be expected from any return of gold into daily circulation. Such a reversion would be contrary to monetary experience everywhere. When people have learned to leave their gold and silver in the banks and use paper money and checks instead they will find the additional convenience so great that they will never fully return to the old practice.

2. *No great outflow of gold through international trade.* It should be noted that many of the former reasons for a flow of gold from America abroad have disappeared. We used to owe Europe a huge balance of interest payments upon the American securities she held. The situation is reversed today. Moreover, Europe must pay us money for the materials we shall send her for reconstruction, or at least pay us interest on credit we shall extend her. Thus our exports will probably exceed our imports during the reconstruction period. We used to pay ocean freight money to foreign carriers; today the American merchant marine will keep in American hands tens of millions of dollars of ocean freight money. The huge volume of American tourist travel abroad, for whose expense

we had to settle, has stopped and cannot resume for a year at least. For all these reasons the lines are laid for a movement of gold from Europe here rather than for a movement of gold from America to Europe.

"Yes, but," people say, "wait until trade is resumed between the United States and Europe, then surely 'low-priced European goods' will flow over here in such enormous volume that they will liquidate all annual obligations to us in goods." It is true that, ulitmately, Europe must pay her obligations to us in goods, but it will take many years. Meanwhile she needs our tools, machinery, and raw materials for immediate reconstruction.

At the present time European goods are not "low priced" (however little the money wages of European labor will buy). Prices in Europe since the war began have risen more than they have in the United States.

3. *Reduction of outstanding credit.* The chief dependence of those who predict lower prices is on a reduction of the superstructure of credit resting upon our gold rather than on any reduction in the volume of this gold itself. They look for a contraction of paper money and of bank credit, a reduction in the volume of deposits subject to check, which circulate throughout the country.

But the main cause for the present extension of bank credit is the Liberty Loan. Subscribers for the loans have not paid their bonds in full. Many of them deposit the bonds with the banks as security for loans to be repaid later.

The continuance of vast loan issues, connected with war and reconstruction throughout the world is a factor which will maintain the high price level, temporarily at least.

It is also worth keeping in mind that Liberty bonds and other Government securities held here to not wholly cease being a source of credit expansion when the individual subscribers have completed their payments on the bonds and really own them. These new bonds are unrivaled security for further borrowings from banks for commercial purposes, and they will continue to be so until the Government which issues them redeems them.

The availability of the vast issues of war bonds as bases for future credit expansion, coupled with the fact that our banking system has still many unused reefs, sure to be taken out later, when business wishes to spread more sail, is the chief reason why prices will keep up permanently; that is, for many years.

In short, then, as, stated in the second of the two generalizations concerning the effect of war on prices, the future course of prices will depend largely on the fiscal policy adopted and that policy can scarcely be one of contraction.

Looking into the still more remote future, there will be in Europe, particularly on the Continent, a vast increase in deposit banking. The need of the Governments there for funds during war times hastened the introduction of deposit banking. Money went out of circulation into bank vaults, and there became the basis for circulating credits. This means a new habit which will lead to a great currency expansion. Far-away countries, like India and China, are also learning to use deposit banking. It is as if a new source of gold supply had been discovered. What has been discovered is a new way of using the gold supply.

The world, during the course of the war, has thus started, or has hastened, an equivalent of the price revolution of the sixteenth century.

In the next issue, another notable article by Professor Fisher will discuss the effect of high prices on bondholders, trust funds, salaries and wages, and will point out the practical steps which should be taken to meet the situation.

Have Rails Passed the Worst?

Railroads Earning Only 2½% on Investment in 1919—Bumper Crops Will Help, but Substantial Rate Increase Seems Inevitable—Judge Lovett Condemns Plan of Consolidations

By OWEN ELY

IT has recently been estimated by Frank H. Fayant, assistant to the chairman of the Association of Railway Executives, that the railroads as a whole earned only 2½% on their investment for the first five months of 1919 on the basis of actual operations.

The net operating income was only one-third of what it had been during the corresponding months of the test period (1915-17), gross revenue having risen only 41.5% against an increase of 79% in expenses. However, the deficiency is not as serious as these figures would seem to indicate, for net operating income represents the neck of the bottle; in order to make the amount for this period equal to that of the test period, a further increase of only 11% in gross would be required, assuming that expenses remain stationary.

This would be equivalent to an average increase of 16% in freight rates (of course the percentage would vary considerably as between territories). The net income of the test period does not provide for a return on two years' growth in the property investment, but this is perhaps offset by the fact that the roads have just passed through a period of reduced traffic, and that the operating ratio may be lowered in the near future as a result of better gross business.

While the roads handled enormous traffic in 1918 at a loss, it is generally conceded that this was due largely to the necessity of shifting traffic and speeding up the shipment of munitions. The great dislocation caused by the severe winter of 1917-18 was also a factor.

Wheat Crop Will Aid Granger Roads

With the billion-bushel wheat crop and large quantities of other farm products moving to the seaboard for export to Europe, the railroads should be able to put into force new economies based on the principle of "increasing returns"—this principle having failed to operate during the confusion of the war period.

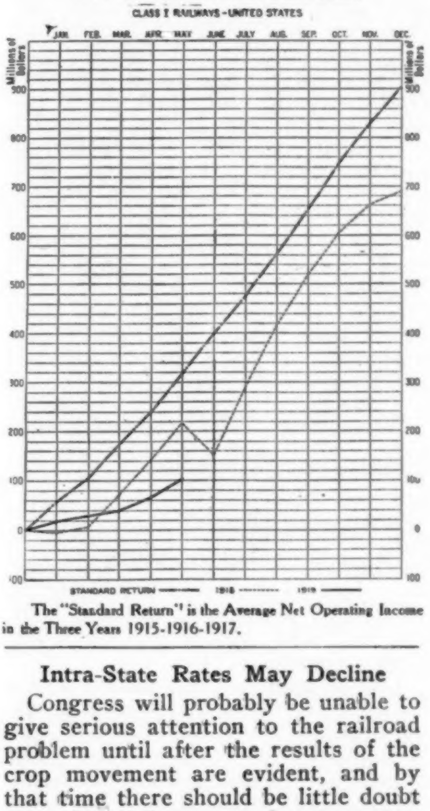
The resitancy of the Director General to advocate a rate increase at this time is undoubtedly due to his hopes that the bumper crops which soon will be ready for transportation will increase gross revenues to such an extent that net income can catch up with the average figures of the test period.

Too great reliance should not be placed on the crops. Wheat is the only important farm product which will show any striking increase over last year, and the increase for the total wheat crop is estimated at about 25%. But the total grain tonnage transported annually is only in the neighborhood of 5-10% of the total tonnage transported by the railways, and the total ton-mile revenue for grain is only about two-thirds the average of that for all traffic. Hence, the increase in the wheat crop will not greatly effect gross revenues for all the roads. Neither will net revenues be greatly affected, though wheat is of course a profitable class of traffic owing to the low cost of handling. However, the increased purchasing power of the western agricultural belt will doubtless stimulate traffic in manufactured goods to a great extent.

The middle western roads, such as Missouri Pacific, Rock Island, Union Pacific, Atchison and Frisco will of course benefit largely by the crop movement, and the trunk line roads will share to some extent in this prosperity, owing to the large shipments to Europe. The Hill roads, as well as Northwestern and St. Paul, should

also have increased earnings, though crop conditions in the Northwest are said to be only fair.

NET OPERATING INCOME, CUMULATED BY MONTHS, 1913 AND 1919 COMPARED WITH STANDARD RETURN



The "Standard Return" is the Average Net Operating Income in the Three Years 1915-1916-1917.

Intra-State Rates May Decline

Congress will probably be unable to give serious attention to the railroad problem until after the results of the crop movement are evident, and by that time there should be little doubt as to the minimum rate increases necessary to insure continued stability and development in our transportation system.

Unless Congress, the Director General or the Interstate Commerce Commission take action on the rate question, there will be an actual decline in rates when the roads return to private operation. Under his war-time powers the Director General has raised rates on short haul traffic within the borders of a single state, but when authority reverts to the state commissions they will in many cases immediately attempt to restore the pre-war basis, which would cause a decline likewise in many interstate rates, which are dependent upon the intra-state.

Then there is the further menace of another campaign for wage increases on the part of the railroad brotherhoods, which, if successful, would immediately swallow up a large amount of any rate increases allowed. The seriousness of the situation is generally recognized, and while Congress is engaged with the peace treaty, the various interests concerned in the railroad problem are gathering their forces for the struggle to put into effect the schemes which they advocate as a permanent solution.

Plans For Consolidating Roads

Recently Judge Lovett in a lenghy memorandum to Congress attacked the proposed plan of territorial consolidaions and guaranteed net return on property investment. His point of view is that the absorption of the weak roads by the strong would lead to injustice to stockholders. Reducing the roads to a few systems would largely eliminate competition, which he regards as a necessary factor in the maintenance of the high operating standards by which the American railway system has gained its world-wide supremacy.

Chairman Clark of the Interstate Commerce Commission, testifying before the House Committee on July 17th, criticized the regional district plan on the ground that it would disrupt the large systems.

The consolidation of all the roads into fifteen or twenty great systems—a plan which is said to be advocated by the Director General and Senator Cummins, chairman of the Senate Committee—would not be impracticable, perhaps, if the present rail systems be used as nuclei. But the regional scheme cannot be based on the model of the Federal Reserve system, for banking is essentially different from railroading save in one particular—car movement. Permanent Federal supervision of car movement, using the present operating terri-

tories, might have some advantages, and the Interstate Commerce Commission already has some authority in that direction.

If the commission is ever able to complete the railroad valuation, which threatens to drag along for some years to come, it may be possible to devise some equitable system of consolidations without depriving the stockholders of rich roads to pay those of weak companies, as feared by Judge Lovett. At the present time any program of consolidation would require either a speeding up of the valuation of many small roads by the commission in order to obtain usable results, or some quick and arbitrary valuation based on other methods. It is practically impossible to use the market value of stocks and bonds as a basis of valuation, because so many of the smaller rail securities are not actively traded in on any stock market.

Many rail consolidations in the past have been prevented by the Sherman anti-trust law. The consolidation of the old New York Central and the Lake Shore was accomplished only after interminable hearings before courts and commissions to prove that the merger was not contrary to the act—although the roads had been operated as a system for many years. Congress should remove this legal barrier to consolidation or at least give the Interstate Commerce Commission complete authority to interpret the facts and apply the statute, in each case.

Problem of Railroad Credits

Judge Lovett recommends Federal incorporation, which the railroads have long advocated as an escape from the harrassing regulations of the state commissions. To what extent the state commissions can retain any rights to necessary regulation of local service and facilities under such a system is a detail which may require some attention. State regulation of rates, however, has proved a decided failure and should be done away with.

The problem of railroad credit is closely bound up with the question of rates, but some students of railroad affairs claim that railroad credit has suffered such a severe blow that it will not be able to recover, even if revenues are once more ample to pay a return on investment. This seems to be rather an extreme view. Railroad securities still retain many advantages over industrials as savings bank investments, etc. However, it seems to be generally agreed that Federal regulation of securities is a wise and necessary step, in order that the roads may avoid the great delay caused by submitting each new issue to review by the various commissions. The wonder is that Congress has not enacted this reform long ago.

It has been suggested that railroad credit should be bolstered by government loans, but the difficulties encountered by the Railroad Administration in securing money for additions and betterments from Congress indicate the weakness of such a remedy.

Judge Lovett also suggests a cabinet secretary and a Department of Transportation, which would "take over and perform the executive and administrative functions devolved upon the Interstate Commerce Commission." But why is it necessary to take away the powers of the commission, if the right men be appointed to it? During thirty-two years it is said that only one man with railroad experience has been a member of that body.

One solution of the difficulty would be for Congress to decide upon a uniform set of principles to guide the commission in revising rates. The commission in the past has had to interpret the meaning of the word "reasonable" in the original Interstate Commerce Act, and members of the commission have been inclined to take the narrow, legal meaning of the word, rather than the broad, constructive view.

Accordingly the problem of the correct basis of rate-making is still largely undecided. Sometimes the cost of service is taken as a standard for comparing rates; in other cases, the old railroad method of charging "what the traffic will bear" is allowed to operate —though camouflaged by such considerations as value of commodity,

volume of traffic, long and short haul, etc. In some cases the commission has refused to allow a general increase in rates, although convinced that the railroads needed the money, on the ground that the proposed rates were not reasonable as compared with other rates. In other cases the commission has reluctantly granted general rate increases, although various members have handed down dissenting opinions stating that their dut ywas not to look out for the financial welfare of the railroad, but merely to protect the public and the shippers.

Obviously it is high time that Congress defined what a "reasonable" rate is. A thorough overhauling of the whole rate-structure is really needed.

As to the proposed schemes for guaranteed return on investment and pooling of surplus profits (the roads retaining only a portion of the surplus), any of these would add unnecessary complications and as Judge Lovett suggests, it is doubtful whether the share of profits allowed to the railroads would be sufficient stimulus to increased efficiency.

However, there is much to be said in favor of maintaining rates at a level which would guarantee a given average minimum return on property investment for each section of the country—provided the Commission interprets the spirit rather than the letter of the law. As a matter of fact the Commission since 1910 has carefully studied the average per cent return on the so-called "property investment" —inadequate as the latter is acknowledged to be in representing true values—and in some cases has been guided by this figure in granting territorial rate advances.

Present Conditions

From present indications, the rail stocks, which have participated very little in the bull market, are in a position to do better. The average for twenty-five rails on July 27 was 66¼, compared with high marks of 70½ in 1918 and 86 in 1916. The long-pull investor may well consider carefully the stocks of reorganized roads such as the Missouri Pacific, Rock Island and Pere Marquette, and of roads which have shown great recent prosperity, such as Colorado and Southern, Big Four, Southern, Nickel Plate, and Union Pacific.

Our railway problems, difficult though they are, will be solved because they must be solved. The President has, indeed, committed himself to a solution fair to investors. Congress, also, has promised to return the roads in as good condition as when taken over by the government, and this should rightfully involve earning power as well as maintenance.

INVESTMENT TRUSTS ABROAD.

THE American investor, has never been accustomed to purchase foreign bonds on a large scale, and there are no indications that he has been changing very much recently in this regard. It seems to me that the only solution of the problem would be to follow the plan put ferth by Mr. Paul M. Warburg and others of establishing investment trusts which will invest their capital in foreign securities, and in turn sell their abligations based upon these securities to the American investor. This is not a new scheme. It has been tried in many of the European countries for many years with market success. Many of the British investment trusts, for example, have had annual return of their capital of 12 per cent. and over. The method that these investment trusts have followed is to scatter their holdings so that the failure of any one country to pay interest on its securities will not embarrass seriously the investment trust. If the Board of Directors of such investment trusts be made up of men of known financial integrity and standing in this country it will probably not be difficult to induce the American investor to buy shares in such an undertaking. The forty-fifth annual report of the Council of the Corporation of Foreign Bondholders of Great Britain just published shows that even as a result of war these British Investment trusts have suffered no serious inconvenience.

It would be well if there were founded in this country also a voluntary association akin to the Corporation of Foreign Bondholders, which has watched with scrupulous care over the interests of these investment trusts, has included the greatest financiers of Great Britain and has been able to influence the government of Great Britain in the direction of affording adequate protection to the British investors in foreign lands.—Melvin A. Taylor, President, First Trust and Savings Bank, Chicago.

What An Income Statement Shows

Chapter VII of the Series "How to Invest"—Gross and Net Earnings, Operating Expenses, Fixed Charges, Balance for Dividends, the Operating Ratio

By GEORGE E. BARRETT

IT is most important to be familiar with the significance of the various items comprising the earnings statement of a corporation, which gives the result of operations over a period, and those comprising the balance sheet, which reflect its financial condition as of a certain date.

Before commenting upon the relation of such figures to the safety of a corporate security, it may be well to go over the principal items included in such statements by way of preliminary explanation.

The reports of earnings of different operating companies vary considerably as to form, but in general show the following:

1. The total amount derived from the sale of the commodity or service which the company supplies;

2. The cost to the company of supplying the goods or services, including ordinary taxation;

3. The balance remaining, available to

4. Interest and other fixed charges;

5. Net profit, applicable to

6. Dividends.

Finally there remains:

7. A surplus for the year, which is added to the surplus at the beginning of the year.

In the case of many companies an item, "other income," may be added to 3; and in addition to the deductions outlined above, a special reserve may be set up against war taxes or depreciation.

The income of holding companies is derived from dividends or interest on the securities owned. Strictly speaking they have no operating expenses, deductions from gross income consisting merely of costs of administration, such as salaries and office rent.

Railroad accounting is practically standardized, and nearly all public utility companies report earnings in substantially the same form. The great variety of industrial concerns results in a considerable difference in the manner in which earnings are presented, but the outline given covers such companies as well.

As an example, the following may represent a typical earnings statement:

(1) Gross Earnings	$1,500,000
(2) Operating Expenses and Taxes	1,000,000
(3) Net Earnings	500,000
(4) Fixed Charges	250,000
(5) Net Income	250,000
(6) Dividends $150,000	150,000
(7) Surplus	100,000
Surplus for previous year	1,000,000
Total profit and loss surplus	$1,100,000

As has been said, practically all earnings statements follow the general form here given. Railroad statements are often much more detailed, the amounts received from passenger traffic and from freight and other sources being given separately. In the same way, operating expenses are divided into maintenance of way or structures, maintenance of equipment, etc. On the other hand, many industrial corporations report in much simpler form, some giving only the actual net profits from operations available for dividend disbursements.

For the sake of concrete illustration, the earnings statement for the Pennsylvania Railroad for the year 1916 has been appended.

Gross Earnings, Gross Income, Gross Operating Income, Gross Operating Revenue, Gross Sales

These terms are often used interchangeably. "Gross Earnings" is the most commonly used, and generally represents the receipts from the sale of the corporation's products or services.

If the corporation does not operate a business but owns the securities of other corporations, its gross earnings or income might be composed of dividends and interest actually received from the securities held, or it might be the surplus applicable to those securities. There might be serious deficits in earnings of certain subsidiaries which would not be apparent if dividends and interest paid are considered as the holding company's income. A consolidated statement of surpluses or deficits applicable to the securities owned by the holding company is often given. The best way would be also to show the earnings of each subsidiary. It is, therefore, important to ascertain exactly how the gross income of a holding company is made up in order to judge of its ability to pay interest and dividends on its own securities.

Operating Expenses

It is necessary to know whether taxes are included in operating expenses. It makes a better showing to deduct taxes with operating expenses to arrive at an amount applicable to interest charges. That is, interest charges would be earned a greater number of times by this method than if strictly operating expenses were deducted from gross revenue, and taxes and interest together applied to the balance. It is always necessary in comparing either the earnings or balance sheet of two companies to be sure that they are made up on an exactly comparable basis.

Net Earnings or Net Operating Revenue

Net earnings or net operating revenue is the balance after operating expenses are deducted from gross earnings. To this figure is added *other income.* This might be interest received on bank balance, rentals received, etc. It might be dividends and interest received by an operating company, which was also partly a holding company. It might also be the net profit of some small subsidiary, the earnings of which for some reason it was not desirable to include in the gross income of the parent concern. An instance of this might be a public utility which had a small ice company as a subsidiary, with a higher operating ratio which would unfavorably affect that of the parent concern.

A very important item included as other income is interest charged to construction. This is interest on debt which the company has contracted to finance new construction, which, not being completed, shows no income on the amount invested. Such interest is usually added to the cost of the construction. It is proper to deduct such interest from total interest charges to give a fair report of the company's earnings. Such interest may be included in fixed charges, and that part charged to construction be added in again as "other income."

The amount of interest charged to construction is calculated on the proportion of the construction which is incomplete. That is, interest on the entire debt necessary to pay for the construction may be included under interest charges, while that proportion of this interest representing funds spent for the part of the construction not completed is added as other income.

PENNA R. R. INCOME ACCOUNT, 1916

Operating revenue	$230,278,533
Operating expenses	166,164,582
Net operating revenue	64,113,951
Taxes	9,022,400
Uncollected revenue	35,541
Operating income	55,056,011
Other income	23,164,863
Total income	78,220,874
Charges, etc.	25,944,370
Net income	52,276,504
Appropriations to sinking fund and other reserve funds	2,138,959
Extraordinary expenditures	9,214,925
Dividends	29,952,252
Construction expenditures	3,713,786
Total deductions	45,019,922
Surplus for the year	7,256,582
Previous surplus	27,991,500
Total surplus	35,248,082

Total Income

Total income or a similar term would be applied to the amount available for interest charges by the addition of other income to net operating revenue or net earnings.

Fixed Charges

Fixed Charges may include the interest actually paid. Occasionally, however, the full annual requirements of outstanding debt are deducted in showing the earnings of a company. This would only be the case, however, in a circular offering securities.

Balance After Charges

Balance after fixed charges is available for first preferred, second preferred and common dividends in the order named.

Depreciation should be distinguished from maintenance, which is included as an operating charge. Maintenance is expenditure required to maintain the property at the same efficiency, while it may at the same time be depreciating in value owing to obsolescence. Depreciation may be included in the earnings statement at different points. The practice varies, but in the case of Industrials it is usually deducted before dividends, whereas in Public Utilities it is generally deducted from the surplus.

Balance After Dividends

Balance after common dividends is a surplus or deficit, a credit or debt balance to the profit and loss account, which represents the accumulation of past years. Other items may be added to this account, for example, increase in surplus due to the revaluation of the property. Charges for a sinking fund on security may be deducted, or a discount on bonds sold may be charged off. The surplus or deficit thus obtained when added to the previous surplus or deficit brings the balance sheet into a balance between assets and liabilities.

Operating Ratio

This is the proportion of gross earnings consumed by operating expenses, and is sometimes useful as a reflector of the efficiency of the management or merely rising or falling costs of materials or labor. It is important, but owing to a great many factors which affect it, is more useful in comparing the earnings of the same company at different periods than in comparing earnings of different companies.

Obviously, the kind of company greatly affects what would be normal operating ratio. A good operating ratio for a steam railroad, say 65%, would usually be a poor ratio for an electric company, which is often as low as 35% to 40%.

An electric company generating power by steam would normally have a much higher operating ratio than a hydro-electric company. The latter might have a ratio of from 30% to 35%, while a steam company would have a ratio of from 40% to 50% and yet be as efficiently or more efficiently managed. This does not mean that a hydro-electric plant will earn a greater percentage on the capital invested, as it may cost twice as much to install. Even in comparing companies of the same type, physical conditions may be such as to cause a great variance in operating ratio, which does not reflect a difference in ability of the management.

The next article will discuss such items as maintenance, improvements, depreciation, sinking funds, and the balance sheet.

Sixth Farm Mortgage Bankers' Convention

The sixth National Annual Convention of the Farm Mortgage Bankers' Association of America will be held at the Auditorium Hotel in Chicago on September 23rd and 24th.

The Board of Governors will meet at the same hotel on Monday, September 22nd, for transaction of the usual preliminary business.

The Board of Governors decided to depart from the usual custom of holding a three day Convention with a program partly composed of entertainment features. This year the Convention program will be confined to two days, Tuesday and Wednesday, releasing the members Wednesday evening to return home or follow their own inclinations as to subsequent entertainments.

The program committee is making arrangements for many interesting and attractive features. Strong speakers will be heard on both days. Many important questions will be considered and hot discussions may be expected.

Leading Opinions

About Financial, Investment, Banking and Business Conditions

"World Credit May Collapse"—Paish

A gloomy view of the international financial situation was taken by Sir George Paish, former editor of the "London Statist," and noted British economist, in a statement printed in a New York newspaper. He said that the only way to avoid the imminent collapse of world credit is through capital levies and suggested the internationalization of credits through the League of Nations. Speaking of the exchange situation, he declared that sterling will probably drop as low as $4 within a short time. On this subject he said:

British credit cannot recover until conditions permit lifting the embargo on the export of gold and Britain will be able to offer to pay everything in gold. The difference between the present and pre-war situation is that prior to the war Great Britain was constantly lending large sums to foreign nations, whereas today she has a great foreign debt. Because of the necessity of giving additional credit to the Continent and also buying large quantities of food and cotton, Sir George thinks that exchange may continue to fall, reaching $4 within a few days.

Sir George considers a collapse of world credit not only possible but imminent.

"I see only one way out," he declared, "and that is by capital levies, both national and international. I have made the suggestion that America and England each agree to wipe out, say, a thousand million of the debts owed them by Continental countries and pool an international credit in the league of nations. My suggestion is based on the principle that it is better to forego making the rest good than to force bankruptcy and thereby receive, say, only fifty cents on the dollar.

"In order to liquidate the British national debt, I propose a tax of 50 per cent. on all war profits and a tax averaging 15 per cent. upon all pre-war wealth. Such a tax would be payable as a war loan and would largely amount to a simple cancellation. There is no substantial objection in the suggestion that a capital tax would unsettle the nation's finances. People may mortgage their property largely to pay the tax, but money would be available from securities redeemed by the tax. Progress would naturally be gradual."

"High Prices Will Rule Ten Years More"—Miller

Prices will remain at fairly high levels for the next ten years, according to A. C. Miller, of the Federal Reserve Board, in a public address delivered recently. At the end of that period the normal European production will have been re-established. Prices will not start their long slow declining course till after next year, and will not fall fast enough to cause any business disturbances.

Dr. Miller discussed the history of price trends since the outbreak of the war and reached the conclusion that commodity prices may go even higher than they are today and that they will be sustained on a relatively high and, perhaps, periodically uneven level for a decade. Dr. Miller finds that high prices are due to currency inflation rather than to any other economic force. By means of increased production and continued saving on the part of the people, and only by these means, can prices come down. To suddenly and by artificial means deflate the currency would have had effects which would not remedy matters; therefore, the world should reconcile itself and its affairs to a long period of high prices. The thirty per cent. drop in prices noted in 1865 after the American Civil War cannot be taken as a criterion, he says. There may be even a further rise in prices during the next year before the long downward trend is felt. A decade is necessary because it will take Europe at least that long to re-establish herself on a normal basis of production. Excepting in cases of investment of great capital for long periods, the decline will not be precipitate enough to cause any business losses.

FARMER: "THERE YOU ARE; MOVE IT."

Roberts Predicts Price Deflation

A decline in the general level of prices as soon as Europe returns to normal food production and is enabled to dispense with our heavy exports was forecast by George E. Roberts, vice-president of the National City Bank, in an address before the Jobbers' Association of Dress Fabric Buyers at the Waldorf-Astoria.

Declaring that rising prices do not mean prosperity, and that a continuance of the present price level would mean that savings had permanently depreciated to half their value, he said:

"The most serious problem is the level of wages and prices. Is this level permanent? I hope it is not. If it is permanent then all obligations in money are depreciated. It means that all savings in banks, in the form of securities, or in life insurance, have been cut in half so far as the purchasing power of their return is concerned. The new level is not fair to everyone.

"Rising prices due to depreciation in currency look like prosperity, but are delusive. Increase in bank deposits is not an increase in wealth. It is inflation. No one gains in this situation except at the expense of someone else. One wage advance has compelled another, and we wonder how this situation can ever be unwound. Look at it from the other side. How can these prices and wages be maintained?

From Portland *Oregonian*
GOING IN!

"We have a great export trade, a trade balance in our favor of $3,700,000,000 for the last fiscal year closed June 30.

"The general situation points to a reduction in export trade unless foreign credits are offered here on the scale of a Liberty Loan. High prices for agricultural products furnish reason and justification for high wages. The prosperity of the farmer gives him purchasing power and he and those dependent on him, comprising about one-third of the population, are generous buyers at high prices.

"What will happen to the farmer when Europe comes back to normal food production? When our great food exports fall then prices here will decline and the great farmer class will lose its purchasing power."

"More Business Will Reduce Debts and Prices"—Decker

Prices of commodities and labor will not go down until the currency is deflated, and that will not happen until a greater volume of business develops, says E. W. Decker, president of the Northwestern National Bank of Minneapolis, in the July number of the bank's review. For this reason, says Mr. Decker, America should engage extensively in foreign trade as well as domestic, in addition to the great amount of business postponed by the war which must be made up in the immediate future, including building, railroad construction, and municipal works. In this connection he says:

"During the reconstruction period, the United States should develop her business, both at home and abroad, away beyond anything that it has ever experienced—predicated, of course, on a reasonable working basis being agreed upon between labor and capital which will enable industries to go ahead, and predicated also upon a sound railroad legislative program which will enable those industries to prosper and expand to take care of the country's commerce.

"None of us realize fully what it meant to hold back the normal, legitimate growth and expansion of business throughout the course of five years of war, during the last two of which there was practically an embargo on building and improvements. We now begin to realize that we must build hundreds of thousands, if not millions, of homes to house our people adequately; that the railroads must spend billions of dollars to be able to care for the commerce of the country reasonably well, both as to freight and passenger business; that municipalities must spend vast sums of money for present requirements, to say nothing about the future; that we must supply food and raw material to Europe, at least temporarily, until its people may be fed and put to work, as it is apparent that the factories of Europe cannot start on their own supplies.

"The fact that the fifteen leading nations of the world, during the last five years, have increased their unsecured currency forty billions of dollars, and during the same period have increased their government bonded indebtedness, also unsecured, one hundred and seventy billions of dollars, and at the same time have increased their bank deposits, still another form of unsecured credit, fifty billions of dollars, making the total in these three items of expansion in five years two hundred and sixty billions of dollars, which necessarily means cheap money and high prices of commodities, is sufficient evidence that there will be no immediate or violent fall in commodity prices. In other words, money is the cheapest thing in the world, and until we commence to deflate our currency and begin to pay our debts, I can see

no prospect of very much lower prices of commodities or labor.

"In other words, the whole world's trade must be increased in volume and scope in order that the nations now heavily in debt as a result of the war may begin as soon as possible to liquidate their indebtedness."

"Foreign Loans Should Be Private"—Crosby

Further loans to foreign countries should be managed through private hands rather than through the Government, in the opinion of Oscar T. Crosby, financial adviser to the American delegation to the Peace Conference, in interviews granted to representatives of several New York newspapers on his arrival in this country. He pointed out that a private banker thoroughly tested out any enterprise that he helped to finance, more thoroughly than Governmental financing agencies would be likely to. He referred to a recent Federal Reserve announcement on this subject, saying:

"It is pleasing to learn that the Federal Reserve Board ,in a bulletin published this morning, takes the position that financing of foreign trade should be done by private capital rather than by the Government. I feel very keenly about this, and I didn't know what the sentiment here was until I landed today. There is political danger in Government loans and the wisest course, in my opinion, is to let the bankers thresh the thing out, because at the bottom is the value of individual credit and enterprise.

"If an American manufacturer wants money he has to go to a banker and sit on a cold marble bench and have himself tested. That is as it should be. A government is not as capable or as wise in these matters as groups of men whose private responsibilities are involved. It is unnecessary to enlarge upon this in view of the pronouncement of the Federal Reserve Board.

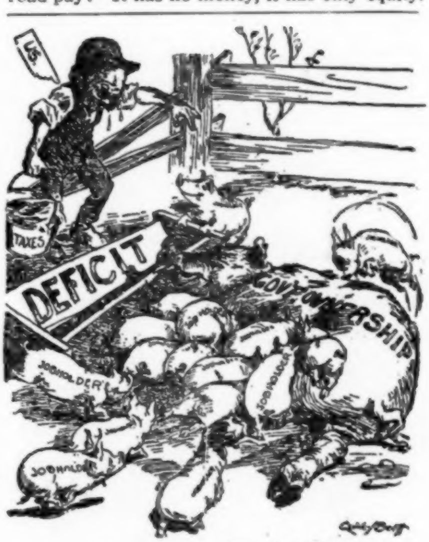
"Let the whole affair be a regular banking transaction with all the care that goes into such a transaction, for when the borrower is compelled to show the soundness of his resources it is all to the good and the waste of money is prevented. The rates will be what the market calls for, and not the low rates that its Government always makes. Governments should not be mixed up in those affairs. If there is any change in the administration the trouble, the seed of which has been sown, is likely to crop up. If the transactions are private and trading is opened up without restrictions, Europe will be on its feet again within five years. Of course, this statement is made with the reservation that revolution does not sweep Europe in the meantime. Whether this will happen nobody knows."

Baron Neuflize Discusses French Financial Problems

The possibility of floating a French loan in this country to assist in French reconstruction was discussed at a luncheon given by M. Maurice Casenave by Baron Jacques de Neuflize, of the Banque de France. He compared the position of the French nation today to that of a good railroad confronted by a maturing bond issue. He said that it was all a question of raising credit, and that France, like the railroad, would have to issue new securities based upon good equities to improve her exchange situation and tide her over until industries were re-established on a normal basis. In part, he said:

"We have two big problems still at hand, the first concerns us only. It is financing definitely the French government through conversion into long term bonds of the short term securities and the surplus indebtedness at the Bank of France. This is a big job. We will do it. We know how to deal with the French people.

"The second problem which interests you is our exchange and our foreign purchases. We are just in the same position as a railroad with a maturing bond issue. How does a good railroad pay? It has no money, it has only equity.



From Detroit *Free Press*
GOOD BREEDER, HEAVY FEEDER.

"Our exchange is bad at present, because foreign credits are smaller than our needs temporarily. Dollars are scarce, and, as we have all sorts of stocks to replenish, the demand for dollars is bigger than the supply, and, like wheat after a bad crop, they rise in value.

"But we still have equity, good equity, lots of equity, behind the francs, and if it was only a question of its intrinsic value you would not get francs at 6.80 for a dollar. As soon as our industries are on their normal basis again, as normal communications and travelling have resumed, francs will not only have equity behind them, but will again be in demand all over the world.

"Therefore the whole situation sums up in

this: As we are short of dollars for a time, how can we buy American products and how can we pay for them today? For a railroad the Americans are satisfied to take its securities. Can we place our securities here? That is the problem."

"Securities Have Not Yet Reached Full Value"—Mitchell

On returning to Chicago after a visit to New York, John J. Mitchell, President of the Illinois Trust and Saving Bank of Chicago, expressed his belief in the soundness of banking and investment market conditions in a statement printed in a New York newspaper. The banks, according to him, are not much concerned over the scarcity of loanable funds, feeling that the commission houses can afford

WHY CAN'T PEOPLE THINK OF THAT BEFORE BREAKING UP ALL THE FURNITURE?

New York *Tribune*

IT LOOKS SIMPLE ENOUGH WHEN WE SEE IT IN OUR NEIGHBORS

to pay temporarily higher prices for call money which may be made necessary by a brief shortage of funds. As to financial conditions in general he said:

"I have been impressed with the soundness of the money and trade position of the country as it is regarded by Eastern interests that come in touch with domestic and international phases of the situation. I also feel reassured as to the position of securities which have not yet reached in price the measure of their intrinsic value.

"There is no doubt that there is plenty of money in the country. For commercial purposes rates are easy in New York at 5½ per cent.

"As to the erratic character of money loaned on the Stock Exchange, the New York banks do not especially concern themselves. They merely say that when surplus funds are available for stock exchange loans the rate will be low and when there is less available it will be higher, which the trading element can afford to pay.

"One of the banks which does a large Stock Exchange business informed me that the bank's loans on Stock Exchange collateral were smaller than they had been for a considerable period. This bank does not find that New York commission houses are over-extended, a significant point of interest.

"Whenever loans are called by the banks or the commission houses ask for more margins of collateral they, as a general thing, get promptly either the money or additional security.

"I can see no trouble in sight, though some time there must be a reckoning."

"Regulate Railroad Securities"—Esch

The provisions of the Esch bill for the return of the railroads to private operation which would extend the power of the Interstate Commerce Commission to control the issue of railroad securities will be carefully analyzed, according to a statement by Chairman Esch of the House Committee on Interstate and Foreign Commerce, along with other provisions designed to retain the benefits that were found to accrue from Government operation. Mr. Esch stated that Government ownership was not a live topic any more, nor was the proposed extension of Government control for five more years, saying:

"In view of the President's plan to turn back the roads January 1 the original proposal to continue Government control for five years need not come in for much discussion, and with the public so generally and obviously opposed to Government ownership of the roads the committee probably will not feel constrained to spend much time on that question.

"The conditions upon which the roads should be turned back as indicated tentatively in the bill before the committee will be most thoroughly considered. The provision of the bill which seeks to retain proved benefits discovered in the extension of Government control will be carefully analyzed. These include provisions for extending the power of the Interstate Commerce Commission over the issuance of stocks and bonds and certificates of convenience, and necessity which will be required before a common carrier could construct an extension or parallel another line.

"Lack of such regulation in the past has brought about much wasteful competition and has caused a number of financial wrecks."

Financial Leaders of To-morrow

George P. Kennedy

There are many men—not only in New York but also in other parts of the United States—who perhaps are not yet nationally known but who are quietly carving out a big career for themselves. Five or ten years from now friends will say of them—"I knew Brown when he was only so-and-so. Now see the prominent position he occupies." Men of this calibre are beginning to have their names mentioned in high circles more and more frequently and THE MAGAZINE OF WALL STREET is presenting this series of sketches of their careers which should be a source of inspiration to those other young men who are determined to have their share of the prosperous period into which our country has entered.

"FROM Messenger Boy to Bank President" sounds like the title of an Alger book, but it describes in a line the career of George P. Kennedy, president of the Italian Discount & Trust Company of New York.

Mr. Kennedy was born thirty-nine years ago in Brooklyn, and after being graduated from high school went to work as a messenger at $3.00 a week for the old Central National Bank. Although his duties then were not exactly ponderous, young Kennedy's inherent ability attracted the attention of his superior officers, who offered him an opportunity for development, and he moved upward step by step until he became vice-president.

When the Chatham & Phoenix National Bank merged with the Century Bank, Mr. Kennedy was selected to occupy the position of vice-president, and a few years later he became affiliated with the Guaranty Trust Company, where again he demonstrated his calibre as an executive.

Last December the Guaranty Trust Company, in connection with the Banca Italiana di Sconto of Italy (one of the most important banking organizations in that country), decided to further extend its commercial relations between the two nations by opening a branch in New York. In looking around for an executive for the new bank (the Italian Discount & Trust Company) the unanimous choice fell upon Mr. Kennedy, who became president.

In reply to the question as to what recommendations he would make to other young men commencing their business career, Mr. Kennedy replied:

"I believe the strongest recommendation that one can make to the young men commencing their business novitiate is to be sure that one has chosen the pursuit which is of the strongest interest and is most congenial in all respects. Success cannot be attained except through happiness and endeavor, and the happier a man is in his business the greater expansion will he show."

As to where, in his estimation, is the best opportunity today for young men, he stated:

"This question is dependent a great deal upon the preceding one, and there is no one particular line in which opportunity offers any more advantage than any other, except in the profession of banking, where the young man who is acquainted with foreign exchange and foreign merchandise banking is in great demand. As success is relative, it seems to me that the attainment of happiness is practically synonymous with the attainment of success."

GEORGE P. KENNEDY

With these ideals in mind, Mr. Kennedy's career is not exactly a result of "luck" unless the opportunity to be placed in a position where one's capabilities are thrown into strong contrast, thereby bringing the chance that brings forth the notice of those in authority, can be called luck. A better name is "preparedness for the future" in the line of business one prefers to all others and all this implies hard work and constant application to the vocation selected.

The Protection of Preferred Stocks

How Special Provisions May Help or Hinder Where Dividend Regulations Often Fall Short—Status of Callable Rights—No. 5

By PROF. WALTER E. LAGERQUIST
Of the Northwestern University School of Commerce

EDITOR'S NOTE—In view of the large number of new issues of preferred stocks now being floated, it is especially important for the investor to examine into the degree of protection afforded both for the payment of dividends and against increases of capitalization which would prejudice the position of these stocks in the corporate structure. Professor Lagerquist has made a very careful study of this subject, and his comments are of much timely interest to investors.

ALL preferred stock issues now provide for a rigid limitation of capitalization by numerous methods. While the protection of the existing holder of stock is to be sanctioned in any way by which it can be done, will rigid limitation of increased capitalization without legitimate elasticity always serve the best interest of the stockholder? If a rigid limit of increase is fixed and has been reached, this regulation might prove either embarrassing or expensive. The only method of overcoming the difficulty would be to retire the old preferred stock and issue new stock, which always means a considerable expenditure in the new flotation.

In a few instances either preferred stocks or bonds, more frequently the latter, can increase the outstanding issue by restricting it to a certain per cent of the cost of improvements or purchases. If, in addition to this requirement, net earnings are also required to be a certain ratio of the fixed charges and dividends of the new increases in capitalization, this is one of the safest of the new regulations governing preferred issues. And the tendency now seems for both railroads and public utilities to issue their refunding mortgages on this basis. It is the most logical method, as it leaves the future expansion of the company unhampered and at the same time protects the investor from inflation or questionable financing.

It will, however, in order to secure entire safety, be necessary to regulate the relation between the holding company and its subsidiaries. The bankrupt American Water Works and Guarantee Company, by avoiding the use of the consolidated balance sheet and thus hiding its true condition, succeeded in pyramiding its issues beyond all safety. Had the purchasers of these securities stopped to consider the very elementary but fundamental fact that the only earning power back of the holding company is the subsidiary companies, the inflated development of this company would never have been possible.

There is nothing to prevent a similar inflation among industrials, where an increase of preferred stock can be made for purchase of new properties without the consent of the preferred stockholders or the purchase of one subsidiary by another. The same thing can also partially be accomplished, at least if no limitations are placed on the funded debt, or the issue of the short time paper, regardless of how stock issues may be guarded.

In all of these regulations of capital stock there is nothing to prevent the old abuses of stock-watering. While the future increase may be amply safeguarded, a weak company may follow the old practices, making excessive issues in the original issue, and the purchaser has no resource, as the well-worded regulations apply only to the future increases in capitalization.

In most companies limiting preferred issues, no regulation is made for the issue of short time paper. A limited

number of companies, in addition to requiring a three-fourths and a two-thirds consent of the preferred stockholders, respectively, for an increased mortgage indebtedness, further agree that no form of indebtedness shall be contracted for more than one year. When, as formerly, the current indebtedness could be increased by a vote of the common stockholders, they floated any amount of commercial paper they could market. As a result, the preferred holders had no means of maintaining their position in relation to the quick assets of the company.

This regulation, however, does not prevent the renewal of loans on liquid assets. A certain company, for example, specifically states "That the company may, however, pledge its liquid assets for loans made to it in the current course of business," but, even where no limitation is made of this privilege, all companies make use of this privilege. It is strange that when so many of our worst failures among industrials have occurred through the over-issue and the possible continued renewal of short time paper, that so few financial institutions have not demanded better protection in this regard for their clientele.

A double protection against this weakness in the present issues might be secured by limiting the amount of commercial paper that could be issued by the officers of a company, and, secondly, requiring that all paper issued be registered with a trust company. This would not only safeguard the preferred stockholders, but the bank making the loan. If the amount could be increased with safety after expert verification, the preferred stockholders could vote an increase above the limit in the same manner that an increased mortgage indebtedness is made.

When Dividend Regulations Fall Short

Probably the most common regulation, and yet it may be the most illusive, among the many dividend regulations is that the special surplus fund shall equal a given amount before any dividends can be paid.

The majority of the companies, in order to maintain dividends on preferred, prevent any expenditures on betterments, extensions or purchases or new plants unless the preferred dividends and sinking funds have been paid. This would probably prove a very effective expedient for maintaining preferred dividends temporarily, but if the check on betterments were continued for a considerable period, it is apparent that it would be detrimental to the corporation. This regulation would be even more serious in rapid obsolescence, which is so apt to occur as the result of new inventions, as was so effectively demonstrated in the old Allis-Chalmers Company.

Made Callable in 1909-10

It was not until 1909-1910 that industrial preferred stocks were to any extent made callable. This has necessitated either the use of the surplus fund or the creation of a special fund to retire the preferred issue. The latter is the usual practice. In the great majority of companies the directors, on a stipulated number of days' notice, can call the stock in, whole or in part. If called in part, the price is frequently, though not always, higher than the former.

Some companies automatically retain the right to call the preferred after five annual dividends have been paid, or on a 75 per cent vote of the preferred stockholders, or on the vote of the preferred alone. The ordinary redemption prices are from 110 to 125 for par, plus accrued dividends, though the range extends from 105 and up to 140 per cent. The common practice is to also use the same rates in voluntary liquidation.

Upon the face of it, other things being equal, this seems like sufficient profit in itself to warrant the purchase of preferred stock. But one does not have to go far to discover that this is often far from a guaranteed profit. First, a company never specifically agrees in the contract that a given amount must be called each year, but leaves this to the discretion of the directors. Consequently, there is no guarantee that the price of the stock will

go as high as the redemption price, even under normal conditions.

A number of stocks which are offering redemption prices from 110 to 125 are new and untried, and some of them can never hope to reach this investment basis, to say nothing of going above that figure. Under such a condition it is quite evident that no company could afford to call at the redemption price, but would enter the open market for its purchases. It is true that with the continued purchases of the stock the market would soon become conscious of the operation. From the standpoint of the investor, such conditions do not lead to permanent stability.

Second, if the fund set aside in the accounts were put into a form which it would be possible to obtain at any time, the first possible weakness, just suggested, would be of little consequence. There is nothing, however, to prevent the use of this fund, at least in the great majority of contracts, in the business. One company specifically states what it intends to do with these funds: "Moneys credited to the sinking fund are not required to be withdrawn from the business, but must be kept available for sinking fund purposes." Though this statement is very seldom in the contract of the security, there is little doubt that other industrials make use of this privilege.

If the sinking fund is yearly used up for the retirement of stock, little criticism, if any, can be made of it, but if it is not to be used for some years, or at the company's wish, the possible misuse, either honestly or dishonestly, at once becomes apparent.

Some of the experiences of sinking funds for bond issues among railroads in the past are too well known to warrant passing this over lightly. The difficulty is that when the stability of the investment is in greatest danger the temptations of manipulating this fund are the greatest. This does not, on the other hand, dispute the added strength of a surplus in a company where the surplus is properly protected. If, on the contrary, the company's financial position is strong enough to enable it to call the preferrd stock, the holder of the preferred stock, after he has passed through the period of greatest risk in the company's business, is deprived of the benefits now accruing on his investment.

PAYING WAGES THROUGH A BANK ACCOUNT

Not long ago the manager of a big industrial plant in England saw several hundred of his employees crowded around the paymaster's window, drawing their wages. It struck him that this was not only a waste of their time, but that it was an undignified scramble for the money they had earned. He would not have liked to get his own salary that way. It seemed as though a more modern method of paying wages might be contrived.

Going back to his office he worked out a plan that combines dignity, time-saving and thrift. This has been approved by the company and is now optional with employees, many of whom are taking advantage of it.

Instead of asking employees to congregate around the pay window and wait their turn, they may open a checking account at any bank selected by themselves and the company deposits wages each week to the employee's credit, in his own bank. The employee then pays household bills by check, draws out whatever cash is needed and leaves the balance in the bank as savings. The company makes a further contribution to his account representing about 5% interest on all the money which he is able to save.

Profits in Redeemable Bonds

The Connection Between Prosperity and the Redemption of Industrial Bonds—How Redemption Features Benefit Securities—Some Exceptions to General Rule—List of Bonds Offering Possible Profits

By JACOB H. SCHMUCKLER

CONDITIONS created by the war have benefited a great number of industrial corporations to an extent that few persons had anticipated. Many such corporations covering fixed charges with only narrow margins before the war, and needing all the money they could possibly hold as working capital, find themselves earning interest charges and sinking requirements with exceptionally heavy margins and having more money than they really need in their business. Also business today is very prosperous, and the outlook for practically every type of industrial property is very favorable over the next few years.

Redemption Features and Industrial Bonds

An excellent indication of the great prosperity and improved financial condition of industrials is the record volume of bonds that have been called for redemption and sinking funds during the current year. The aggregate amount of bonds so affected in July was about $7,720,000 of which $5,662,000 were called in entirety. These figures include all classes of corporations, but industrials largely predominate. The amounts are exceptionally large, and indications are that with prosperity for industrial properties continuing, the future will see record-breaking amounts of bonds redeemed before maturity.

Most industrial bonds carry provision for their redemption as a whole or in part before maturity. There are a number of reasons for this. The earnings of industrials are generally of a rather fluctuating character; their assets are of a more or less wasting nature, and their business is in many cases subject to setbacks by competition or sudden changes in technique, tastes and fashions. Another consideration is that the conditions affecting industrial properties generally change more rapidly than for any other type of company, so that before the loan matures, the money that has been borrowed, may not be needed. Under such circumstances to continue to pay interest would be very poor business policy.

Finally there may be a change in the general level of money rates, and the redemption privilege may enable directors to retire the bonds to the mutual advantage of the company and bondholders. It is undoubtedly for this reason that most flotations during a period of high money rates carry provisions for redemption in whole or in part before maturity. An excellent case in point is the presence of these features in practically all of the offerings during the past few months.

How Redemption Features Affect Securities

Sinking fund and redemption privileges affect the equity and market of any issue. As redemptions decrease the amount of bonds outstanding against any property, they naturally increase the equity behind those left outstanding and give additional protection to fixed charges, providing the bonds are cancelled. If they are kept alive in the sinking fund the issue's equity is really left unaffected.

These features also tend to improve the market for a bond and thus to offer speculative profits, especially in prosperous times, by the bonds being called at prices above current market values or costs. Until an announcement of redemption is made, or there are strong indications of it, the prices of most bonds do not entirely discount this. The bonds usually sell like most others, almost completely on their investment merits.

This means that the discriminating investor who looks carefully into the re-

demption and sinking fund privileges of industrial bonds can secure not only good investments, but can also secure profits, particularly when issuing companies are prosperous. The possibilities for profits are generally greater when bonds are redeemed as a whole than through the sinking fund, for in the latter case most issues are called at any price up to a set maximum, and need not be redeemed at the highest price. Consequently the tendency is to retire at prices not very much above current market prices.

Exception to The General Rule

Not even in the realm of bonds are there any rules to which there are no exceptions, and in some few cases the redemption features may cause investors a loss. The experience of some investors with the Bethlehem Steel 7s will perhaps illustrate this principle best.

The July 15, 1920 and 1921 maturities were called for redemption on July 30 at 100 and 100½, respectively, in accordance with the terms of the indenture. The notes are high-grade, and having such a high nominal rate of interest sold at a premium, the 1920 at about 101¼ and the 1921 at 101½. When the redemption was announced holders naturally rushed to sell at the market with the result that prices declined to about the redemption figures. The corporation's exercising of the retiring privilege therefore caused investors a loss of about 1%, as compared with previous market prices.

REDEEMABLE BONDS OFFERING POSSIBLE PROFITS

Issue	Maturity	Price About	Approx. Yield to Maturity	Redemp. or Max. S. F. Price
United States Steel s. f. 5s	1963	100⅞	4.97%	110
Indiana Steel 1st 5s	1952	97	5.20	105
Republic Iron & Steel s. f. 5s	1940	94½	5.45	105
American Steel Foundries deb. 4s	1923	90–93	6.50	100
Lackawanna Steel 1st cons. 5s	1950	97½	5.15	105
Wilson & Company 1st 5s	1941	100⅜	5.97	107½
American Agricultural Chemical 1st 5s	1928	97–99	5.25	103
American Can deb. 5s	1928	94	5.90	102½
Corn Products 1st 5s	1934	100¼	4.98	105
Liggett & Myers deb. 7s	1944	113¼	5.90	130
Lorillard P. Co. deb. 7s	1944	112½	6.03	130
National Enameling & Stamping 1st 5s	1929	97	5.45	105
Granby Cons. Min., Smelt & Pow. cons. 6s	1928	98–102	6.00	*105
Swift & Company 1st 5s	1944	98	5.10	102½
Jones & Laughlin 1st 5s	1939	99–100	5.05	105
International Silver 1st 6s	1948	99–101	6.00	110
Lima Locomotive 1st 6s	1932	96–100	6.25	110
Cramp, Wm. & Sons 1st 5s	1929	98(bid)	5.25	102½

*Maximum sinking fund price, 110.

Investors may very likely meet with the same experience in a number of other high-grade short term issues recently floated at high rates of interest and now selling at a premium. The Cudahy 7s, called for the sinking fund at 101, sold at about 102 on June 1 and 101¾ on July 1. It would repay investors to carefully analyze the redemption features of the short term high-grade industrial bonds recently issued and compare the prices with current market quotations. As a general rule, the writer believes that investors would do well to sell those commanding a high premium at not later than about two years before maturity. The reason for this time stipulation is that the premium of redemption prices above par declines as maturity approaches.

Bonds Offering Possible Profits

However, such a state of affairs is the exception rather than the rule. In the table herewith are presented a number of bonds offering good possibilities for speculative profits by being called for the sinking fund or redemption in entirety. Current prices and approximate rates of return to maturity are given, as are also redemption prices and the maximum figures at which the bonds can be called for

the sinking fund. These two are in most cases identical.

The salient facts relative to some of the more important issues are presented below as far as space will permit.

United States Steel Sinking Fund 5s. A very high grade issue. Price doubtless discounts in part strong probability of retirement through sinking fund before maturity. Bonds have sold at substantially better prices. Indenture stipulates that after April 1, 1913, if the sinking fund trustees hold a sum in cash exceeding $100,000 they may, and if requested by the Steel Corporation, they shall, apply the funds to the redemption of these bonds at 110. To date about $23,753,000 have been retired. Prospects very favorable to redeeming of entire issue before maturity.

Republic Iron & Steel Sinking Fund 5s. A strongly secured bond. Sinking fund provides for $250,000 in cash for these bonds annually on April 1, and in addition an amount equal to 2½% of all bonds issued over $10,000,000. Sinking fund to be applied to retiring these bonds at not over 105 flat or to their redemption at the maximum figure. Bonds so acquired to be cancelled. Bonds dated April, 1910. To December 31, 1918, more than half of the total outstanding were redeemed.

Lackawanna Steel First Consolidated 5s. Not so good a bond as the two previous. Earnings of company show wide fluctuation, though position of company has been materially improved in the last three years, and the outlook for the property is favorable. Well secured as to property assets. After retirement of Ellsworth Collieries First 5s (of which there are still about $3,600,000 outstanding) a similar sinking fund providing for a sum equal to 10c. for each ton of coal mined from the property of the Ellsworth Collieries to be paid annually, the amount not to be less than $100,000, and to be applied to the redemption of the consolidated 5s at 105 and interest. Sinking fund will not become operative for some little time, but $3,000,000 of the bonds have already been cancelled, very likely through purchase by the company in the open market.

Wilson & Company First 6s. Issue of old Sluzberger & Sons Co. A well secured bond yielding a good rate of return. Commencing December 31, 1917, and annually thereafter 1% of outstanding bonds plus 1% of amount held in sinking fund are to be applied to the purchase or redemption of these bonds at not over 107½ and interest. Bonds acquired to be kept alive and interest added to sinking fund. Redeemable as a whole at 107½.

American Can Debenture 5s. Interest charges earned with exceptionally wide margin, and issue very attractive as straight investment. Company must pay $500,000 annually to trustee to be invested in bonds of this issue at not exceeding 102½ and interest, or if not purchasable to be used to call bonds by lot at that price. Outstanding $11,329,000. Sinking fund will retire about $7,000,000 before maturity.

Liggett & Myers Debenture 7s. A good investment for income return. Company to pay trustee $150,000 annually to be applied to the purchase of this issue at not over 130 until the full payment and discharge of these bonds. About 25% of total outstanding bonds will be retired before maturity. All bonds purchased by trustee to be cancelled.

Lorillard P. Debenture 7s. Issue very similar to Liggett & Myers 7s. Rate of return very attractive. Company shall pay trustee $100,000 annually to be applied to purchase this issue at not over 130 until full payment or discharge of issue. About 25% of entire outstanding amount will be retired before maturity. All bonds purchased by trustee to be cancelled.

Swift & Company First 5s. A high grade issue, as low rate of yield clearly indicates. Redeemable at 102½. Annual sinking fund of not less than 2% of the aggregate amount of bonds outstanding to be applied to the purchase or redemption of bonds at not over 102½. Outstanding $30,926,000. Retired by sinking fund to March 1, 1919, $2,444,000.

Investment Inquiries.

SEABOARD AIR LINE ADJUST. 5s
Small Margin of Safety, but High Yield

Seaboard Air Line Railway in 1918 earned only $3,636,000 net operating income as compared with the standard return of $6,497,000. On this basis, the Adjustment Mortgage Bonds are in a speculative position, and this is reflected in the high yield of about 10%.

The interest has been paid regularly to date and is earned under the Government guaranty. In case the road is forced to suspend payment when it returns to private operation, the interest may be obtained later, as it is cumulative. The bonds therefore have some attractiveness as a speculation.

ANGLO-FRENCH 5s
In Very Strong Position

Anglo French 5s, due October, 1920, will, without doubt, be paid at maturity. It is, of course, conceivable that these bonds should not be so paid, but in that event they would be taken care of by a further bond issue which would be at least as attractive as the present one. The fact that these bonds are selling today so cheaply is, in our judgment, not a reflection of any doubt as to the payment of these bonds at maturity, but is merely incidental to the general condition of high price for capital today. The fact that these bonds are guaranteed by two Governments of such high standing as the British and the French would, in our judgment, place them second only to the bonds of our own Government, and we see no reason to fear that they will not be paid at maturity.

CHICAGO & ALTON REF. 3s
Not Attractive at Present Price

Chicago & Alton Refunding 3s are, in our judgment, not a good investment at the present price. For a period of ten years this company has shown very irregular earnings. In 1914 only 35% were earned of the fixed charges and in 1915 only 62%, in 1916, 99%, and in 1917 the fixed charges were earned with only a slight 7% to the good, that is 7% of the fixed charges.

For the last ten years the products of mines have average about 50% of the freight tonnage. We are unable to say what portion of these totals of mines was constituted by the hauling of coal.

ROCK ISLAND REF. 4s
Are Well Secured

Rock Island Refunding 4s are in a very secure position and are followed by large preferred issues upon which dividends have recently been re-declared. Rock Island, since its reorganiztaion, has made very rapid strides, and we believe that this improvement will be maintained under the present management even though the railroads are restored to private ownership. We believe that eventually these bonds could well sell between 10 and 20 points higher, but this would necessarily take a considerable time, perhaps a few years. The return is quite satisfactory, considering their strength.

CHICAGO ELEVATED 5s
Others Are Better

Chicago Elevated 5s of 1941 is a well fortified issue, but we would not consider it a desirable investment. We doubt whether it is so attractive as some of the bonds mentioned in THE MAGAZINE OF WALL STREET recently or in our "Bond Buyer's Guide," for example International Agricultural 1st 5s around 82, or some of the more active listed issues which you will find in the guide. All the utilities are working under a severe handicap, as high prices are likely to continue for a considerable time and the outlook is extremely uncertain. We draw attention to an issue like Missouri Pacific 5s which yield about 7%, or some of the St. Paul issues which yield between 6½% and 7%. They appear more attractive to us than Chicago Elevated 5s at this writing.

JEWEL TEA PREFERRED
Dividend Probably Secure

Jewel Tea Preferred is a good semi-speculative investment. Preferred stock has paid its 7% regularly since it was incorporated in 1916. In 1917 this company earned its preferred dividend about six times over, and in 1918 the preferred dividend was earned about 2¾ times. There were rumors to the effect that this company missed its market in coffee, and is now obliged to pay high prices. In spite of this, however, we believe the preferred dividend to be secure, and do not suggest that you sell at a loss.

AMER. WRITING PAPER PFD.
May Have Possibilities

American Writing Pfd. reported earnings of 20% in 1916, 1% in 1917, and 10% in 1918. The company's sales have not yet recovered from the conservation campaign on paper organized by the Government during the war. However, the present outlook is encouraging, and while the stock is strictly a speculation and is selling now at nearly double its low price of January, it may have further possibilities.

SHAFFER OIL PFD.
A Business Man's Investment

Shaffer Oil & Refining Company Participating 7% Cumulative Preferred Stock consists of $6,000,000 of par value $100 fully paid and non-assessable. These shares are preferred as to assets and dividends. This preferred issue is participating and in addition to its cumulative feature will participate equally with the common stock share and share alike in dividends up to $10 per share per annum and in addition is entitled to participate in the further dividends above $10 per share per annum at the rate of ¼ of 1% each $1 paid in excess of the above on the common stock. Selling at 93,

these shares yield over 7.5% and in our opinion are a good investment with speculative possibilities.

STEEL & TUBE PFD.
An Attractive Investment

Steel & Tube Company of America 7% Cumulative Pfd. stock (a new issue) is an attractive investment. This company was recently formed to acquire a number of established properties. The dividend requirements are earned with a very wide margin. The net quick assets per share are estimated at $121, the total net assets at $359. The properties have been showing good expansion. An annual sinking fund of 3% on the total amount of the preferred issued is provided to redeem the stock at 110. We think very well of this issue.

ALLIED PACKERS 6s
An Attractive Purchase

Allied Packers 6s, July, 1939, are an attractive investment with a safety of capital and yield. This company is a large organization whose possibilities, together with the other companies of its industry, are most attractive, especially in view of the shortage of food in Europe today, and this company is assured of record business for many years to come.

CHILE COPPER
May Benefit by Copper Prosperity

Chile Copper is one of the low cost producers enjoying the advantage of operating in a country where labor is very low. It is a young property, starting production as recently as 1915. Last year its output reached 102,000,000 pounds at an average cost of about 18 cents. Net profits were estimated at $7,000,000, or approximately $1.75 per share.

Chile along with the other copper companies will, we believe, advance further in price during 1919, though the present time may not be the best to make a purchase.

LEHIGH VALLEY
Depends on Coal Earnings

Lehigh Valley Railroad common has been turning out such a small margin of its dividends, that we cannot regard the future with great confidence. On June 3, 1919, the directors reduced the dividend from 10 to 7%, which on the par of $50 a share, is $3.50 a year. We cannot state the book value of this property. Such a matter is quite problematical, as much as the whole subject of the valuation of the railroads is still in an unsettled state.

MISSOURI PACIFIC
Has Attractive Prospects

Missouri Pacific is one of the most attractive of the reorganized railroads. The reorganization was carefully worked out and from some points of view the company is in a similar position to that of Atchison following its reorganization 20 years ago. It seems to have a great future before it. It draws its traffic from both the South and the West. It, of course, is not an investment, but a speculation. During the past few weeks this stock has been advancing under the influence of the rumor of the discovery of oil on the lands of the Texas Pacific Railroad, controlled to some extent by Missouri Pacific. Missouri Pacific actually made a gain in net, above the compensation figures of 1916, while most of the other railroads were operating at a loss.

GRANBY CONSOLIDATED
Moving Out of Slump

Granby Consolidated has always pursued a very conservative policy with respect to dividends and this probably accounts for the passing of the August dividend. The company has had a good deal of trouble lately because of strikes, etc., as well as the general stagnation in the copper industry. Its Grand Forks smelter was recently shut down owing to shortage of coke and it is not expected that this plant will be reopened. The company's other plants will be protected in future in regard to supply of coke by the opening of the company's new by-products plant. We think that Granby will probably benefit by a further upward move in the copper group, as the stock has sold down since January, and thus has not shared in any market advance for the group. However, it is decidedly a speculation and dividends can hardly be expected this year.

D., L. & W. COAL EARNINGS
May Increase This Year

Delaware, Lackawanna & Western earned about 34% in 1918 under the standard return and about the same amount on the basis of actual operations.

The income return of this stock is not very high, but with the shortage of coal and the prospects for increased earnings from the coal department, the outlook seems good.

MAINE CENTRAL
Dividends Poorly Secured

Maine Central has paid a 6% dividend since 1911, when the rate was reduced from 8%. However, the dividend has been earned by a very small margin, being paid out of surplus for some years. The standard return under government operation is only about 5½%. The dividend is very poorly protected, and may be reduced at any time. This accounts for the low price. The stock is really not entitled to more than 4%, and as the market price usually reflects earnings rather than actual dividends, we do not think it is too low.

Of course it is possible that Maine Central will sell higher in sympathy with the railroad group as a whole when Congress finds some solution for the railroad problem.

ROYAL DUTCH
Speculative, But Good for Long Pull

Royal Dutch is a very powerful organization, and is the largest competitor of the Standard Oil of New Jersey. With the assistance of the British Government, it will have first or second place in the marketing and production of petroleum throughout the world.

It was stated July 2d that stockholders of the company at a meeting voted to increase the capital from 230,000,000 to 400,000,000 guilders. The final dividend for 1918 was payable July 1st, and at some time after this date, the Royal Dutch will issue one new share at par to holders of four old shares.

From the long range point of view this stock posssesses great possibilities. We believe that in spite of temporary irregularity this company's shares should sell at substantially higher levels in the long run.

ALLIS-CHALMERS
Prosperity Probably Discounted

Allis-Chalmers earnings for the first quarter of 1919 ran at the rate of over 9% per annum on the common stock, which compares with 11.6% in 1918. The company has greatly strengthened its financial position since the war, and it is reported to have large orders on hand. However, the stock has sold from 30 up to its present quotation around 47, and we do not especially favor it at this time.

READING DIVIDENDS
Secure Under Private Operation

The recent market interest in Reading has been due to continued rumors as to segregation of its coal properties. This story has been used for market "ammunition" so many times, however, that it is rather played out.

Reading had large earnings in 1916-1917. Under Federal control it is estimated that the company should receive an income from the railroad equivalent to about 7% on the common stock and about 18% when profits for coal were included. At any rate the dividend is perfectly secure, whether or not the company continues under Government operation.

PHILADELPHIA CO.
Better Results Discounted

Philadelphia Company is in a very strong technical position in the market and it is very evident, judging by its action on the tape, that this stock has been accumulated and is being purchased by the public on a good scale. The utility companies have all had a very poor record of earnings during the war period due to the high expense of operating and the activity in some of the utilities like Philadelphia Company is reflecting the change that must come about sooner or later to normal conditions.

MIDWEST REFINING
High Price Lessens Attractiveness

There has been talk at different times of Midwest Refining absorbing numerous other oil companies identified with the Wyoming field. Not long ago it secured a 51% interest in the Western States Oil & Land Co., which has valuable proved holdings in the Lusk Field, and another rumor has it that the Midwest Company plans to take over Glenrock. This would appear to be a logical development.

Midwest has been very successful during the past three years, but the shares have risen to a proportionate extent, and we believe that the major move is now over. We believe that Midwest Refining has discounted the good features surrounding the successful operation of the company and that although the shares might sell somewhat higher in a speculative market, it is not so attractive at present levels.

INTERNATIONAL PETROLEUM
Favorable Prospects

International Petroleum is a subsidiary of the Standard Oil Company and represents that group in South America. We have always regarded International Petroleum with favor since the time it was selling around 15. The stock has advanced from this point to a high price of 35, from which it has reacted. We would consider it an attractive investment for the long pull. International Petroleum as a Standard Oil issue is one on which it is difficult for anyone to make investigation or get particulars. In our opinion, these are attractive shares to hold.

MIAMI COPPER
Should Share Coming Prosperity

Miami Copper during the next few years should derive excellent profits from the handling of oxidized and low grade copper. The company's stock is generally considered a better buy than Utah. All of the copper stocks have been fairly well liquidated in the stock market during the last few months, and we believe that the copper industry has seen the worst.

The dividend on Miami is $2 a year, or 50 cents quarterly, payable Aug. 15th to holders of record of August 1st.

OWENS BOTTLE MACHINE
A Business Man's Investment

Owens Bottle Machine has a net tangible value of between $40-$50 a share, the value of the stock must be judged by the excellent earning power, dividend, etc. Between 1911 and 1917 the common stock showed an earning power of not less than 26% and as high as nearly 44% in 1914.

The company has a small capitalization of approximately $10,000,000 in common stock (par $25) and a trifle over $7,000,000 in preferred stock (par $100). The preferred stock is a very high grade investment, as dividends of 7% have been paid on this issue from 1907 to date without a break.

Dividends ranging from 4% to as high as 20%, have been paid on the common for the past ten years, the present rate being 12% or $3 a share annually. The company passed the extra dividend of 2% last December owing to developments in the prohibition movement. The stock is largely held by employees of the company. We regard the shares as a good business man's investment for a long pull.

The present price of the stock is probably due to the effect of prohibition, and this may have been over-discounted. Considering the condition of the market as a whole, however, this is not the best time to make purchases.

BALDWIN LOCOMOTIVE
High for a Non-Dividend Stock

Baldwin Locomotive earned 23% in 1916, 40% in 1917, and 52% in 1918. Earnings for 1919, however, will be very small, as the Railroad Administration has not given out many large orders for equipment, and the company has been operating on its foreign orders. There have been many reports of a change in capitalization, and there has also been a rumor that DuPont are interested in this company. Recently the stock has been active. However, we think the stock is selling very high at present prices for a non-dividend payer.

SOUTHWESTERN PROD. & REF.
A Fair Speculation

Southwestern Producing & Refining Company is capitalized for $2,000,000, of which $1,500,000 is outstanding, par $5. The stock is all common and there are no bonds or preferred stock. The company has about 2,000 acres of leases in Texas, including the Burk-Burnett field. Part of these are in Ranger and part in north central Texas. We find that the company also has a refinery about 8 miles south of the Burk-Burnett Oil Fields. The refinery is on 50 acres of land. It is now refining 1,500 barrels a day and producing about 300 barrels a day. The company expects to increase production to about 700 barrels a day very shortly. Earnings are at present about $40,000 a month, or 32% per annum on the outstanding stock. The company expects to increase production and refining capacity to show 50% per annum on the outstanding stock. The shares are a fairly attractive speculation.

WILSON & CO. COMMON
Yields Basis Discounts Dividends

Wilson & Company common stock is a maturing investment, as the company has been showing an excellent earning power during the past four years and the trend of its earnings appears to be upward. This may be judged from the fact that compared with about $9 earned in 1915, earnings advanced to about $21 in 1916, $29 in 1917 and about $34½ in 1918. The stock is now discounting a dividend of about 6% or 8%. It is not upon a dividend basis yet.

In view of the irregular state of the market, we do not suggest new commitments in common stocks of this character at this time. The stock will, however, bear watching for purchase in the event of a decline.

SAVAGE ARMS
War Profits May Be Distributed

Savage Arms Corporation is a successor to the Driggs-Seabury Ordnance Co., which was organized in 1915. On Dec. 31, 1918, the net tangible assets applicable to the common stock amounted to about $111 per share after deducting the book value of intangible assets, patents, patent rights and good will, carried at about $15 per share on the common stock. The indicated earnings on the common were 7.72% in 1916, 16.25% in 1917, and 16.97% in 1918.

The future of the company is somewhat uncertain and there has been some talk about declaring a cash dividend, as well as possibilities of recapitalization. The stock may advance considerably higher, but due to its uncertainties it cannot be considered in the investment class, but only as a semi-investment. We prefer such issues as Southern Pacific, Norfolk & Western and Chesapeake & Ohio.

Pres. Wright recently stated that while it might be possible to make a distribution of war profits later in the year, no plans to this effect are under immediate consideration.

M., K. & T. PREFERRED
May Benefit by Reorganization

Missouri, Kansas & Texas 4% preferred stock is non-cumulative and consists of $13,000,000 worth outstanding, as well as authorized. This company went into receivership in September, 1915. The tentative plan of reorganization is said to provide for an assessment of $30 on the preferred and $33 per share on the common. It is also proposed to issue $10,000,000 new first mortgage bonds. The converted preferred stock, according to this plan, will follow the prior preferrred, and both issues are to be limited to 5% dividends for 5 years and thereafter to 6%. The preferred cannot be retired by the company.

We do not advise a purchase at the present price. The general railroad situation is not as yet very hopeful and this company in particular seems to have no bright prospects.

SUGGESTIONS IN REGARD TO INQUIRIES

The heavy volume of inquiries which this publication is receiving makes it necessary to ask our subscribers to co-operate with us in order that we may maintain and improve the high quality of service which the Investors' Personal Service Department renders to our readers. We therefore suggest that:

1. Not more than three inquiries be submitted at one time. Occasionally a subscriber sends in a long lis of securities, asking for an opinion on each. The careful manner in which the Department handles its inquiries makes it impossible to give same the immediate attention necessary, without slighting other inquiries.
2. Trial subscribers are entitled to an opinion on ONE security, in terms of our "trial offer."
3. In case an immediate answer is desired on more than three securities, we make a charge of $1 each for the additional number (but not to Investment Letter subscribers).
4. Enclose stamp or stamped self-addressed envelope.

The above suggestions are drawn up for the benefit and protection of our subscribers and those inquiries which conform with them will receive first attention.

SPECIAL ANALYTICAL REPORTS—When a reader wishes a special investigation or a special analysis of a security or a subject we shall be pleased to submit an estimate of the special charge for such work. We compile many Reports of this kind which are highly valued by purchasers.

BOND BUYER'S GUIDE

Arranged by F. M. Van Wicklen

THIS table includes many of the active bonds listed in the New York Stock Exchange. They are *classified* but not necessarily *recommended*. An endeavor has been made to arrange them in the order of desirability as investments, based upon *security of principal* and *income return*. The arrangement below attempts to balance these two factors. *This table appears in every other issue of this magazine.*

	Approx. Price July 23.	Approx. Yield July 23.
Foreign Government Bonds		
U. K. Gt. Brit. & I. 5½s, 1937	97	5.75
Paris 6s, Oct. 15, 1921	97⅜	7.30
*Anglo-French 5s, Oct. 15, 1920	97¼	7.50
*Jap. 2nd Ser. Ger. Stpd. 4½s, 1925 (Par value $974)	85	7.25
*French Cities 6s, Nov., 1919	99	10.00
Dom. Canada 5s, April, 1921	98	6.30
U. K. Gt. Brit. & I. 5½s, Nov., 1921	98¾	6.15
Dom. Canada 5s, April, 1926	96½	5.60
Dom. Canada 5s, April, 1931	96	5.45
U. K. Gt. Brit. & I. 5½s, Nov., 1919	100	5.50
Railroad Bonds Legal for New York State Savings Banks		
First Grade:		
Pennsylvania Gen. 5s, 1968	94	5.35
At. Coast Line Cons. 4s, 1952	80	5.30
*So. Pac. Ref. 4s, 1955	80	5.25
Lou. & Nash. Unified 4s, 1940	84¾	5.20
†Union Pac. Ref. 4s, 2008	77	5.20
C., Burl. & Q. Ill. 3½s, 1949	75¼	5.10
C. & North West. Gen. 5s, 1987	98½	51.0
*Nor. Pac. P. L. 4s, 1997	79¾	5.05
C. Burl. & Q. Gen. 4s, 1958	81¾	5.10
*Atch. T. & S. Fe Gen. 4s, 1995	79½	5.05
Union Pac. 1st 4s, 1947	85	5.00
N. Y. Cent. 1st 3½s, 1997	70⅝	5.00
*Norf. & West. Cons. 4s, 1996	81	5.00
Lake Shore 1st 3½s, 1997	72½	4.90
Penna. Cons. 4½s, 1960	95¾	4.80
Illinois Cent. Ref. 4s, 1955	79	5.30
M. St. P. & S. S. Marie Cons. 4s, 1938	85	5.25
C. M. & St. Paul Gen. 4s, 1989	79	5.70
Nor. Pacific Ref. 4½s, 2047	86	5.20
Gt. Northern 4¼s, 1961	86	5.15
Del. & Hudson Ref. 4s, 1943	84¾	5.15
Nor. Pacific Gen. 3s, 2047	59¾	5.05
Second Grade:		
*C. M. & St. Paul Conv. 4½s, 1932	75½	7.40
C. M. & St. Paul Conv. 5s, 2014	78½	6.35
C. M. & St. Paul Ref. 4½s, 2014	67½	6.70
N. Y. Cent. Ref. 4½s, 2013	81	5.55
Railroad Bonds Not Legal for New York State Savings Banks		
First Grade:		
C. Burl. & Q. Joint 4s, 1921	96	6.15
†Union Pac. Conv. 4s, 1927	86½	6.15
Lehigh Valley 6s, 1928	101¾	5.70
Ore. Sh. Line Ref. 4s, 1929	85	6.00
At. Coast L. L. & N. 4s, 1952	75	5.70
Lake Shore Deb. 4s, 1928	85	6.20
Ill. Cent.—C. St. L. & N. O. 5s, 1963	88	5.75
Col. & So. 1st 4s, 1929	85	6.00
Seaboard Air Line 1st 4s, 1950	69	6.25
*Virginian 1st 5s, 1962	89	5.70
†Cent. Pac. Ref. 4s, 1949	77½	5.55
Wabash 1st 5s, 1939	94	5.50
Southern Cons. 5s, 1995	92½	5.40
Union Pac. 6s, 1928	102¾	5.60
Kan. City Term. 4s, 1960	77	5.40
N. Y. Cent. L. S. Coll. 3½s, 1998	65½	5.40
C. Rock I. & P. Gen. 4s, 1988	74¾	5.40
†Reading Gen. 4s, 1997	82	4.90
Ore.-Wash. R. R. & N. 4s, 1961	75½	5.50
§Chic. Union Sta. 4½s, 1963	85½	5.35
Illinois Cent. 5½s, 1934	96½	5.90
Cent. of Ga. 6s, 1929	98½	6.20
Balt. & Ohio P. L. 3½s, 1925	89	5.70
Balt. & Ohio 1st 4s, 1948	74	5.90
Second Grade:		
*St. L.-San F. P. L. 4s, 1950	60	7.25
Den. & R. Grande Cons. 4s, 1936	69	7.15
Mo. Pac. Ref. 5s, 1923	91¾	7.30
Ches. & Ohio Conv. 4½s, 1930	81½	6.90
Ches. & Ohio Conv. 5s, 1946	89	5.80
So. Pac. Conv. 4s, 1929	85	6.00
†So. Pac. Conv. 5s, 1934	107	4.35
C. Rock I. & P. Ref. 4s, 1934	71	7.15
§Col. & So. Ref. 4½s, 1935	80¼	6.50
*N. Y. Cent. Conv. 6s, 1935	98½	6.15
Kans. C. So. Ref. 5s, 1950	83	6.25
*Pere Marquette 5s, 1956	86¾	5.90
Mo. Pac. Gen. 4s, 1975	60¾	6.75
†Erie Cons. 4s, 1996	64½	6.25
C. C. C. & St. L. Gen. 4s, 1993	67½	6.05
Western Pacific 5s, 1946	84	6.25
Mo. K. & Texas 1st 4s, 1990	66	6.15
St. L. So. West. 1st 4s, 1989	70	5.80
†Erie Gen. 4s, 1996	53	7.70
Chic. Gt. West. 1st 4s, 1959	59	7.10
Southern Gen. 4s, 1956	65½	6.50
West. Md. 1st 4s, 1952	59	7.30
Erie Conv. 4s, "D," 1953	50½	8.40
Chic. & West. Ind. 4s, 1952	64	6.75
Industrial Bonds		
§Central Leather 1st 5s, 1925	96½	5.75
Western Elect. 1st 5s, 1922	98	5.60
*Beth. Steel Ref. 5s, 1942	90½	5.75
†Lackawanna Steel Cons. 5s, 1950	97	5.20
*Midvale Steel 5s, 1936	90	5.95
Armour, R. E., 4½s, 1939	85	5.75
Rep. I. & Steel 5s, 1940	94½	5.45
National Tube 1st 5s, 1952	97	5.20
Indiana Steel 1st 5s, 1952	96¾	5.25
Va. Car. Chem. 1st 5s, 1923	96½	5.85
*Am. Smelt. & Ref. 1st 5s, 1947	87½	5.95
U. S. Steel 5s, 1963	100½	4.95
Wilson & Co. 6s, 1941	100¾	5.95
Inter. Mer. Mar. 6s, 1941	97¾	6.25
*U. S. Rubber 5s, 1947	88	5.90
Am. Cotton Oil Deb. 5s, 1931	88½	6.40
Gen. Elec. Deb. 5s, 1952	92½	5.25
§Com. Tob. Rec. 6s, 1941	88½	7.10
Distillers Sec. 5s, 1927	90	7.40
Int. Agricul. 5s, 1932	84½	6.80
Wilson & Co. 6s, 1928	101	5.90
Braden Copper 6s, 1931	95½	6.50
§Chili Copper 6s, 1932	92½	6.90
Texas Co. Deb. 6s, 1931	103½	5.60
Colorado Ind. 5s, 1934	79	7.30
Col. Fuel & I. 5s, 1943	91	5.70
Beth. Steel Ext. 5s, 1926	96½	5.60
Public Utility Bonds		
*Am. Tel. & Tel. Conv. 6s, 1925	102¾	5.50
*Am. Tel. & Tel. Coll. 4s, 1929	84	6.15
*Am. Tel. & Tel. Coll. 5s, 1946	88¾	5.85
*N. Y. Telephone 4½s, 1939	87½	5.50
Consol. Gas N. Y. Conv. 6s, 1920	102¾	
Int. Rap. Tran. Ref. 5s, 1966	71	7.15
Public Serv. C. N. J. 5s, 1959	77½	6.60
Columbia Gas & Elec. 5s, 1927	90½	6.50
New York Tel. 6s, 1949	99½	6.05
West. Union Tel. 4½s, 1950	86½	5.40
Hudson & Man. Ref. 5s, 1957	60½	8.50

*—In denominations of $100, $500 and $1,000.
†—In denominations of $100 and $1,000.
§—In denominations of $500 and $1,000.

Current Bond Offerings

Briefly Discussed and Analyzed

A BRIEF discussion and analysis of the new important bond offerings will be a regular feature of THE MAGAZINE OF WALL STREET hereafter. The number of new offerings was cut down quite substantially during the war period and until the close of the Victory Loan Campaign. With this event over, varied offerings have begun to appear in large amounts and flotations will continue to be extensive for some time. These should include a number of very attractive purchases for all classes of investors and the purpose of this department will be to present the salient facts concerning them. The status of each bond as to taxation will be discussed as fully as possible, and issues available in less than $1,000 pieces will be so designated.

LIST OF CURRENT OFFERINGS

Issue	*Maturity*	*Offering Price*	*Yield to Maturity*
Government and Municipal:			
Government of Switzerland 5½s	Aug., 1929	96¼	6.00%d
City of Winnipeg 30-year 5½s	July, 1949	99.27	5.55
Pierce County, Wash. Road 5s	June, 1930-'39	103@104.53	4.65a
City of Chicago Coupon 4s	Jan. 1930-'39	94.82@96.69	4.40a
City of Hartford 4½s	June, 1920-'27 & '59	100.19@103.80	4.30a
City of Tulsa School Dist. 5s	May, 1924-'39	101.10@103.20	4.75a
Railroad:			
Canadian Northern Railway 2½-year 6s	Feb., 1922	100	6.00b
Canadian Northern Railway 5-year 6s	Aug., 1924	100	6.00b
Cleveland, Cin., Chic. & St. Louis Ref. 6s	July, 1929	98	6.25d, e
Public Utility:			
Dallas Power & Light First 6s	July, 1949	100	6.00b, d
Lexington Utilities First Lien 6s	Apr., 1929	93	7.00b, e
Worcester Gas Light First 5½s	July, 1939	100	5.50e
Orange County Public Service First 6s	June, 1939	96½	6.30b, e
Sloss-Sheffield Steel & Iron S. F. 6s	Aug., 1929	97¼	6.30
Haytian American Corporation 7% Notes	July, 1922-'24	98.95@99.30	7.25b
Ames Holden Tire Co. Ltd. First 7s	July, 1939	100	7.00
Northern Illinois Cereal First 7s	July, 1924	100	7.00b, e
Southern Oil Corporation First 6s	July, 1920-'25	..	6.75@7.50b, d

(*a*) Exempt from Federal Income tax, including surtax. (*b*) Company pays normal income tax to the amount of 2%. (*c*) Exempt from Federal State and Municipal taxation as to interest and principal, excepting estate and inheritance taxes. (*d*) Available in $1,000 and $500 denomintions. (*e*) Available in $500 and $100 denominations. (*f*) Exempt from State and local and from Federal normal income tax. (*g*) Without deductions from Federal income tax up to 4% so far as is legally permitted.

GOVERNMENT OF SWITZERLAND 5½s. Principal and interest payable in U. S. gold coin in N. Y. City. Direct obligation of the Swiss Confederation. Purpose of loan is to provide funds to be applied to purchase of commodities and payment of other obligations due by the Swiss Government in U. S. Attractive investment yielding a good rate of return.

CITY OF WINNIPEG 30-year 5s. City's credit is very highly and favorably regarded. Yield of over 5½% for 30 years rather exceptional among high-grade Canadian issues of long term. Interest and principal payable in Canada and in U. S. A desirable investment, which should show good market appreciation as conditions become more normal.

AMERICAN MUNICIPALS. All of very substantial investment character. Yields on Pierce County 5s and Tulsa 5s very attractive. Should make strong appeal to large investors because of exemption from Federal income taxation.

CANADIAN NORTHERN COLLATERAL TRUST 6s. A direct obligation of company, all of whose stock is owned by the Canadian Government. Total authorized and issued $10,000,000 and secured by pledge with trustee of $14,286,000 Canadian Northern general 4s of 1934, the interest and principal of which are unconditionally guaranteed by the Canadian Government. A well secured issue, but marketability not of very wide character.

CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS Refunding 6s. Bonds to be issued under new refunding and improvement mortgage. Junior lien on property assets, but interest charges have good margin of protection. In 1918 actual earnings exceeded standard guaranteed return by $9,938,600, covering total interest charges about 2¼ times. Road has been showing good improvement in past few years. Considering character of security the yield of over 6% make bonds an attractive investment.

DALLAS POWER First 6s. Company does substantially all the electric light and power business in the city of Dallas. Bonds are a first mortgage on all properties and franchises of company. Under new franchise approved in April, 1917, property was valued at $6,200,000 compared with $5,000,000 authorized under this issue, and 9% on property valuation is first charge on company's earnings. This amounts to more than twice interest charges on bonds. A good investment as permanent holding for income return.

WORCESTER GAS LIGHT 20-year First 5½s. A well secured issue. Legal investment for savings banks in Massachusetts, Vermont, Rhode Island and New Hampshire. Interest charges earned more than 3 times over in year ended June 1, 1919. First mortgage on property. Company has paid dividends without interruption since 1853.

SLOSS-SHEFFIELD STEEL & IRON S. F. 6s. Total authorized and issued, $6,000,000. After Feb., 1920, will be only mortgage indebtedness of company. Net tangible assets at end of 1918, about $23,000,000, of which $4,024,813 were in form of quick assets. Liberal sinking fund and carefully protected as to maintenance of current assets. Interest charges earned more than 5¼ times in 1918. A very attractive investment at offering price or even a point or so higher.

HAYTIAN AMERICAN CORPORATION 7% Serial Notes. Corporation a holding company for sugar, railroad, wharf, electric light and power properties in Island of Hayti. Assets of corporation at cost estimated to exceed 4 times amount of notes issued. Prospects of company reported to be very favorable, especially in sugar business. Notes constitute only funded debt. Interest charges stated to be covered with ample margin.

The Building and Real Estate Outlook

Effect of Activity on National Lead and U.S. Realty—No Immediate Relief for Shortage of Housing and Office Space—Prospects for Securities of These Companies

By ARTHUR C. WATT

THE long pent up demand for building materials that was released shortly after the armistice was signed, is assuming such proportions as to indicate that a big building boom is well under way and may not reach its climax for several years.

As a result of the government ban on private construction during the war in order to conserve labor, materials and capital, building to-day is regarded to be at least one year, if not more, behind its normal growth.

Reports from practically all the principal cities of the country show that there is an acute shortage of housing and office space and as it is obviously impossible to relieve these conditions immediately, it would not be surprising if something resembling a stampede for building materials developed within the next several months—especially if the outlook for labor shows more distinct signs of improvement.

At present, the labor situation in the building trades is anything but comforting in several of the large cities, particularly Chicago, although a basis of mutual understanding and agreement likely will be reached before any serious crisis develops, as the demands for space have become so urgent and money is so plentiful, that the question of price, in many instances at least, may be secondary.

The volume of new building is one of the standard fundamental indices of general business conditions because it links up so directly with numerous other important industries. Some idea of the demand which has asserted itself is shown in the graph indicating the course of new building since 1909.

Beginning with 1909, the amount of building construction has been moving generally downward although the decline was especially marked after April, 1917, when the United States entered the war.

But in 1919, the trend to date has been almost perpendicularly upward. While uncertainties over the labor outlook may cause some temporary interruption in the building movement, yet its ultimate course will not be stopped, consequently it appears that those companies which are in position to benefit by these conditions should report substantial increases in net earnings over the next few and possibly five years.

The activities of two representative concerns of this class are outlined below:

National Lead Company

Although the National Lead Company through its "Dutch Boy" trademark is better known to the public for its production of painting materials, yet the company is also one of the largest manufacturers of plumbing supplies in the United States.

The foregoing commodities are obviously going to be in enormous demand, not only as new building operations progress but also for maintenance and decorative purposes.

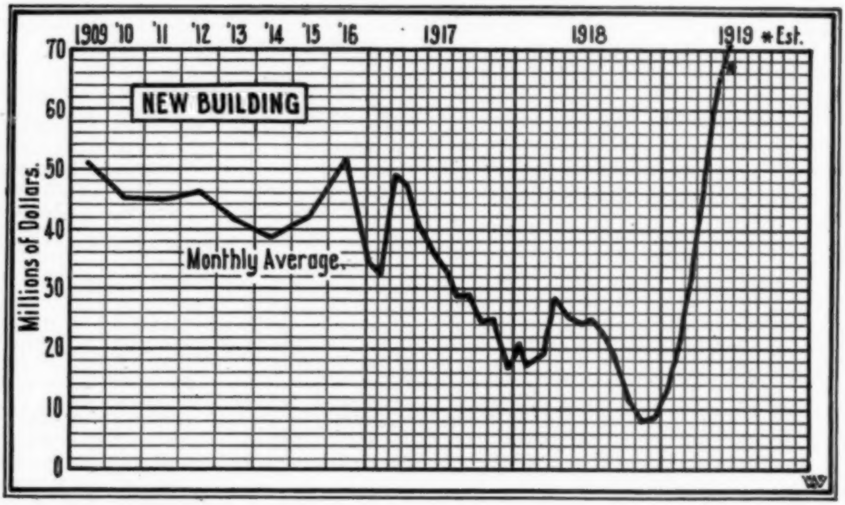
Painting was brought to a standstill during the war with the result that dealers stocks gradually were thinned out. As many shared the opinion that prices would drop sharply before another upswing, dealers bought literally from "hand to mouth" for a time, but as prices not only remained firm and showed a tendency to advance, a wave of buying set in and is expected to continue. A similar condition, to some extent, exists in connection with plumbing materials. These factors underlie the present growing demand for the

company's products and foreshadow an increase in earning power.

Net income on the common stock, after liberal allowances for Federal taxes, depreciation, etc., and preferred dividend requirements amounted to \$15.45 a share in 1917 and \$14.46 a share in 1918. No correct estimate of 1919 earnings can yet be made, but conditions in the trade are so favorable, that earnings are likely to continue on a very satisfactory scale.

Surplus \$83 a Share

The company's consistent policy has been to use surplus earnings in its business and dividend distributions have been ultra-conservative. After paying 3% on the common for five years, this rate was increased to 4% in 1916 and to 5% in 1917, which is the prevailing rate. Profit and loss surplus did not show any marked increase until 1916. On December 31, 1915, it amounted to \$5,737,362 and within the next three years it had nearly tripled, amounting to \$16,659,907 on December 31, 1918, or approximately \$83, a share for the common which is selling at this writing around \$80.



Another point of interest in this connection is that National Lead owns a one-half interest in the United States Cartridge Company which, as yet, has not reported its net profits on large government contracts. Results from these operations and special depreciation, etc., are understood to be very satisfactory, and would add to the income figures already shown for National Lead.

National Lead also owns a substantial stock interest in other allied trade concerns but the company cannot report its proportion of the subsidiaries' earnings until they declare and pay dividends. The operations of these various companies, most of which have been formed within the last several years, are said to be developing a large earning power, and should represent an important source of revenue in the future. The more important companies include the Williams Harvey Company, Ltd., of England, the largest tin smelting plant in Europe, and the Williams Harvey Corporation of New York, both of which operate in conjunction with the National Lead Company of Argentina, S. A.

The big values behind National Lead's shares however, are especially worthy of interest. It will be noted from the following balance sheet that theoretically the company could liquidate all of its obligations, including retirement of the preferred issue, and still have over \$37,000,000, or about \$180 a share, for the common stock.

This does not take into consideration added equities in stock holdings or the possibility that all of the reserve accounts will not be utilized. A case in point is the inventory of $15,027,155, the valuation of which is protected against falling prices by a Metal Reserve of $1,000,000, although indications now point to higher rather than lower prices. Another instance is the Promotion Reserve of $1,000,000, which is available for the exploitation of new products.

One of the reasons for National Lead shares selling at present prices is the 5% dividend rate. If no dividends were paid and the equities behind the stock together with its earning power, etc., were known, a speculative clique could doubtless attract a public following at prices considerably above the current market.

Stock Widely Distributed

The stock is widely distributed, 51% of the stockholders being women, but fair-sized blocks are held by estates which seek comparatively safe, permanent investments in conservatively managed companies, National Lead usually selling at prices to yield from 6% to 8%. Present yield is 6% but the company can easily increase its 5% rate and undoubtedly such action may be considered by the directors one of these fine days unless it is their intention to begin redeeming the preferred, which is callable at par ($100).

Regardless of either event, National Lead shares possess excellent intrinsic possibilities for market appreciation based upon the present strong position of the company and its earning prospects over the next few years, at least, and can be accordingly recommended as an attractive investment for business men.

U. S. Realty & Improvement

Another corporation which stands in a fair way to improve its financial position as a result of building activities is the United States Realty & Improvement Co.

This concern was incorporated in 1904 and owns a controlling interest in the George A. Fuller Co., generally known for its construction of skyscrapers and other construction projects of a large scale. This company also owns the entire capital stock of the George A. Fuller Co., Ltd., of Canada. In addition, United States Realty owns a controlling interest in the Plaza Operating Co. (which conducts the Plaza Hotel in New York) and a large interest in the Broad Exchange and Alliance Realty companies, which own and operate valuable office and hotel properties in New York, Boston, and elsewhere.

Many of these buildings, especially in New York, are erected on ground which is immensely valuable, i. e., such as that occupied by the Trinity, Whitehall, Broad Exchange, U. S. Realty, etc.

NATIONAL LEAD'S BALANCE SHEET

Assets:	Dec. 31, '18	Dec. 31, '17
Plant Investment	$41,933,058	$41,557,963
Other Investments	10,153,094	8,502,635
Inventories	15,027,155	14,138,222
Cash	2,788,743	1,702,083
Customers' Accounts	15,468,510	12,680,953
Other Notes Rec'ble	2,005,682	2,132,000
	$87,376,244	$80,713,859
Liabilities:		
Preferred stock	$24,367,600	$24,367,600
Common Stock	20,655,400	20,655,400
Bonds of Sub. Cos.	9,715,000	10,051,000
Insurance Fund	1,607,207	1,400,000
Metal Reserve	1,000,000	300,000
Plant Reserve	2,500,000	2,500,000
Promotion Reserve	1,000,000	......
Tax Reserve	1,996,259	1,698,713
Accounts Payable	7,874,870	4,725,720
Surplus	16,659,907	15,015,424
	$87,376,244	$80,713,859

Leases for office space in these buildings have been renewed at higher rentals and should have a favorable effect on Realty's earnings for the 1920 fiscal year.

Loses on Subway Contracts

The entry of this country into the war put a dent in the expected profits from The Fuller Company contracts in progress owing to issuance of priority material orders by the Government and unusual advances in the cost of labor and supplies. Official estimate of United States Realty's proportion of loss in the construction of a section

of the New York subway is placed at $2,754,000. Against this amount the company has substantial claims for indemnification by the city but when and how much will be collected is only a matter of conjecture. At any rate, the claims represent a contingent asset, part of which may be realized without litigation.

United States Realty is also in the shipbuilding business through its ownership of all the capital stock of the Carolina Shipbuilding Corporation, a $100,000 corporation which contracted to build twelve 9500-ton steel ships for the Government. The contract price is $20,514,000, which includes a fixed fee and in addition a participation in any saving realized. Completion of this contract should result profitably to the company but what part of the earnings will have to be returned to the Government in excess profit taxes is an uncertain feature at this writing.

Net income of the United States Realty in 1914 amounted to approximately $8.18 a share on the outstanding stock. Income began to drop sharply for the following year and fluctuated per share as follows until the fiscal year ending April 30, 1919:

1915	1916	1917	1918
$5.00	$3.72	$3.05	$4.79

This abrupt decline resulted in the directors promptly and properly omitting the usual 5% dividend rate in 1915 and no distributions have been made since. Income jumped to $9.16 a share for the year ending April 30, 1919, and with a building boom under way and increased rentals a maintenance of last year's earnings rate may be continued if not increased over the next several years, although owing to an adjustment of property valuations in 1916-1917, there does not seem to be hope for any immediate dividend action.

Revaluation Creates Deficit

The president's statement in 1917 to stockholders on the valuation factor was as follows:

"As it has become apparent during the past year that with respect to some of the real estate investments of the company there existed a depreciation in value from the book value, a revaluation of certain of this real estate has been made. The value of the company's interest therein, represented by equities in the properties, has been written down substantially. The total difference between revaluation made and the book value amounts to $9,556,097.35.

"It is to be pointed out that any real estate appreciation, either through sale or return to productiveness of any of the investments so revalued, will be applicable to a betterment of the company's condition."

This resulted in the creation of a deficit against which net income has since been applied until the deficiency account as of April 30, 1919, amounted to $6,957,754. The joker in this revaluation statement, if it can be so called, is the clause referring to "real estate appreciation, etc.," which result evidently has taken place and the figures might tell a different story if another revaluation now took place.

Theoretical equities behind the stock on April 30, 1919, amounted to above $50 a share, compared to a present market price of around $44 which compares to a low of $8 in 1918 and a low of $17¼ this year.

Bonds Better Than Shares

The stock does not seem to be a very attractive purchase at current levels but Realty has apparently turned the corner and is bound to be benefited for several years by the demands for construction and office space, the company's income in the past being rather evenly divided between the two lines of activities.

The company has outstanding $11,930,000 debenture gold 5s which mature July 1st, 1924. What adjustment will be made at that time is a question that naturally comes up but some basis satisfactorily to the bondholders undoubtedly will be made. These debentures are now selling at around 77 and at this price yield nearly 11% to maturity, but already have enjoyed a stiff market rise from a low price of $45 in 1918 and a low of $60 in 1919. As a "specvestment," they should fill the requirements of intending Realty purchasers, much more advantageously than the stock.

American Agricultural Growing

Leader of Fertilizer Companies Strengthens Position—Values Behind Common Stock—All Bonds May Be Converted Soon, Leaving Nothing But Shares—Good Business In Sight

By MAX GOLDSTEIN

UNLIKE the majority of companies that made a big profit in 1916 and 1917, American Agricultural Chemical made a bigger profit in 1918, and seems well on the way to breaking all previous records in 1919.

One obvious reason for this steady growth and good prospects is a conservative financial policy, which enabled the corporation to make full use of its sudden war-time prosperity to prepare for future needs. Another reason lies in the nature of the fertilizer industry itself as regards the problems of war and peace. In time of war fertilizers are of the utmost importance because they increase the fertility of the soil at a time when food is most needed, and hence they are in great demand. With the resumption of peace the world shortage or scarcity caused by the years of war comes into evidence, and food remains of the highest importance, thus making again for the prosperity of the fertilizer manufacturers.

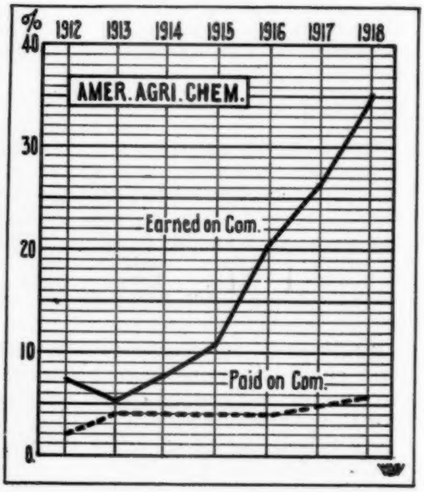
Preparing for the Big Years.

Since the first declaration of dividends on the common, in 1912, the company has gradually been strengthening its financial position, until now it is one of the strongest of the industrials. As will be noticed from the accompanying graph, the dividends paid show a steady and unbroken rise, but they have been always kept well behind net earnings applicable, thus accumulating a substantial surplus behind the common stock.

A similar conservative policy is shown in the increased deductions from net income made for "reserves for freight, losses and contingency," which were $553,431 in 1913, $893,386 in 1914, $821,488 in 1915, $858,801 in 1916, $1,092,036 in 1917, and $976,594 in 1918. The steady piling up of annual surpluses, culminating in the record figure of $5,392,754 during the company's boom year of 1918, illustrates the way the company is building itself up out of its own earnings.

In line with the same policy, an item of "reserve for property depreciation" was established in 1915, when the new prosperity was first felt, which steadily increased through the later years, the figures being: for 1915, $137,106; for 1916, $300,348; for 1917, $486,741, and for 1918, $598,051.

The financing policy of the company



seems to have been changed in 1918 as regards floating debt, for the notes payable in this year were the highest in its history, $17,020,000, as compared with $3,563,180 the year before and $106,540 in 1916. This indication of undercapitalization led to the issue of $9,500,000 of new common stock in November of 1918.

Naturally, this unusually heavy item for current liabilities cut down considerably the net quick assets, which, nevertheless, at $33,181,618, are almost enough to cover the entire bonded debt and the preferred stock. This item has shown a

steady increase since 1913, and once the notes payable account is diminished as a result of the new financing, should make even a better showing in the future.

The asset value of American Agricultural common is reckoned at $189 a share, as compared with a fairly steady market price at the time of writing of $108 a share, indicating that the company's securities are well backed up by property values.

Its Financial Structure

The funded debt of the company consists of an issue of ten-year convertible debenture 5s, due Feb. 1, 1924, of which $7,010,700 were outstanding in June of this year, and $7,762,000 first mortgage convertible 5s, due Oct. 1, 1928. The former is convertible into the common at any time, par for par, and the latter into the preferred stock with an adjustment of interest and dividends. The price of the debenture 5s has moved up with the common into which they are convertible, and is now at about 106½. This price, of course, is not justified by the return on investment, but is based on convertibility.

AMERICAN AGRICULTURAL

	Net Income	Surplus for Year
1912	$2,554,185	$991,602
1913	2,592,726	226,807
1914	3,065,715	669,058
1915	3,675,145	1,283,733
1916	5,445,527	3,054,788
1917	5,546,355	*2,805,557
1918	8,111,018	5,392,754

*After deducting $210,263 bonus paid to employes.

Of the preferred stock, which pays 6% cumulative, and is preferred as to assets and non-retirable, $50,000,000 has been authorized and $29,920,100 is outstanding, while of the common $28,012,200 is outstanding out of a similar authorized amount. The par value of each is $100. Outside of the $9,484,400 common issue of November, 1918, mentioned above, which was used to pay off the floating debt, the only recent financing has been an issue of $250,000 additional preferred stock in March of this year in exchange for a similar amount of American Phosphate Mining Co. stock, and $50,000 to be paid in cash.

Dividends on the preferred have been paid regularly since the organization of the company in 1899. On the common the rate was steadily increased from the first payment of 4% in 1912 to the present rate of 8%. At this figure it is a more attractive investment than the convertible debentures, which yield only 5%, and which have accordingly been converted steadily since the announcement of the new dividend rate in September, 1918. About $2,000,000 of the debenture 5s have been so converted in the last twelve months, and rather less than $900,000 of the first mortgage bonds have been converted into the preferred. Should this movement continue, as it is likely to, the company may soon find itself without any funded debt at all, and so without any fixed interest charges.

Market Action and Prospects.

The common stock had a great upward movement at the beginning of 1919, which carried it to 110. Since then it has been holding steady at about 108. The preferred stock has moved upward too, in less degree, and the price movements of the stocks have been closely paralleled by those of the bonds which are convertible into them. The one depressing market factor has been the realization that lower prices for fertilizers are in order, with reductions in the costs of raw material, largely due to the release of stocks of nitrates and ammonium sulphate acquired by the Government for war purposes. The Department of Agriculture has announced that fall prices for fertilizer will be 30% less than spring prices, according to an agreement with Northern manufacturers. The fertilizer situation is the most important for the company as its other lines, such as glue, gelatine, boneblack and other by-products, contribute relatively little to the company's income.

The outlook for the future would seem to be most hopeful, however, in view of the fact that most of the company's business is done with the grain farmers of the Mid-west, who are enjoying a year of record prosperity, and who have no acreage reduction plans like those of the cotton farmers of the South. With a strong financial structure, a decreasing bonded debt, and prospective good business, the common stock should eventually reach still higher levels.

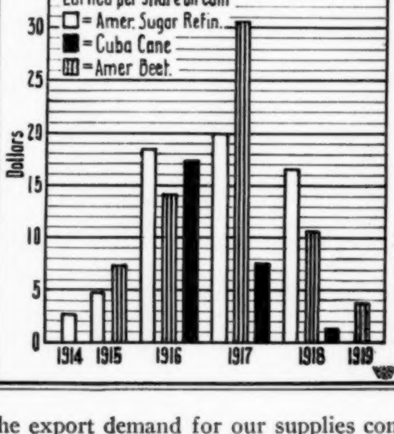
Prospect for Leading Sugars

American Beet Sugar, American Sugar Refining and Cuba Cane—Europe Short of Sugar—Earnings and Prospects for Preferred and Common Stocks

By JOHN MORROW

DURING the war it was not at all difficult to discover responsible opinions to the effect that with the cessation of hostilities the sugar situation would be relieved, supplies would meet consumption, and prices, in the re-establishment of a free market, would return closer to normal than they had been.

Thus far such opinions are widely at variance with the facts. Europe's sugar industry is still at "sixes and sevens" and



the export demand for our supplies continues unabated; in fact, seems to be on the increase. Figures prepared by the United States Food Administration a short time back showed that whereas the pre-war European demand for sugar from this country was about 50,000 tons, Europe this year had already contracted for 650,000 tons. Cables from Paris tell of the efforts of the French Government to buy sugar from Czechoslovakia, only to be met with a price of 25 cents a pound.

The European sugar yield this year promises to be 50% less than the yield for the year 1913-1914. Other figures estimate the world's production of sugar for the 1918-1919 crop year at 16,600,000 long tons, a shortage of 2,000,000 tons compared with the pre-war year 1913-1914. Added to the export situation is an increasing domestic consumption. Last year the domestic sugar consumer was practically on a ration basis, and the curtailed consumption is illustrated by the fact that in 1918 the per capita consumption was 77 pounds, compared with 81 pounds in 1917.

The advent of prohibition is expected to stimulate the demand for sweets in various forms and already this probability is the subject of general comment, with the general opinion that the result will be a substantial increase in the use of sugar by manufacturers who cater to the country's sweet tooth.

Sugar is still under government regulation with selling prices fixed by the Sugar Equalization Board. These restrictions will continue practically through the remainder of the year, but even now predictions are made that if the government lifts the regulations and a free competitive market for the commodity is restored, prices will mount, and remain high until Central Europe comes into the world markets again and offers sugar in appreciable amounts. When that will be is a question admitting of little more than guesswork.

All of these factors make for a most interesting situation for the corporations engaged in the sugar industry. Their prospects are held to be excellent. Three of these companies whose stocks are more or less in the public eye are the American Beet Sugar Co., the American Sugar Refining Co., and the Cuba Cane Sugar Co.

American Beet Sugar Co.

Like practically all of the industrial stocks, American Beet Sugar common shares have had a substantial price advance. Before the war American Beet Sugar did not have an impressive earnings record, so far as the surpluses earned on the common stock were concerned. Reference to the table will show the record and illustrate the big improvement that occurred, beginning with the 1916 fiscal year. Prior to the war beet sugar was a rarity in the markets east of the Mississippi, and the export trade was nil. But Europe's dependence upon us, following the closing of the central European markets, so changed conditions that American Beet came into possession of excellent earnings.

TABLE I—AMERICAN BEET SUGAR

March 31	Gross Sales	Net Income After Deprec. and Additions
1915	$8,304,423	$1,424,654
1916	10,479,293	2,445,189
1917	14,971,116	4,882,980
1918	12,584,367	1,887,638
1919	7,471,383	879,763

The company saw fit to establish a $6 dividend rate in 1916 and increased that to $8 the following year, and in addition declared an extra cash dividend of $12 in 1917. The $8 dividend rate is still in effect, having been declared in January, 1919, for the ensuing year, and payable in quarterly instalments of $2.

Although the 1916, 1917 and 1918 fiscal years were all that could be expected, the results for the fiscal year ended March 31, 1919, were extremely disappointing. Before appropriations for additions and betterments the company showed only $6 a share earned on the $15,000,000 common stock or $300,000 less than dividend requirements at the rate of $8. The reasons for this briefly were as follows:

The company produced 918,562 bags of sugar as compared with 1,686,544 bags the preceding year, and had on hand at the end of the fiscal year 410,000 bags, against 334,346 bags the previous year. While receipts per bag increased $1.14, expenses were $1.77 per bag higher. The failure of the company to earn the full dividend rate for the year naturally gave rise to some uneasiness about its continuance, and that is one reason why a successful campaign this year carries so much meaning for the stockholders.

According to President Duval, the company expects to make 30% more sugar during the coming campaign than during the last one. It has been predicted that the company will make 1,500,000 bags, and on this output will show a profit of $1.75 a bag compared with $1.42 for the year ended March 31 last. If such expectations are borne out the common dividend seems safe for 1920, at least.

American Beet Sugar owns some 27,000 acres of land, which has a value well above the original cost, and the worth of this acreage adds considerably to the equity back of the common stock. There is only $5,000,000 6% preferred outstanding, and no bonds.

At the end of March, 1919, the company had $3,285,000 bills payable, an account that had not been on the books since 1915, and working capital had decreased from $7,229,000 as of March 31, 1918, to $4,616,000.

At the middle of June it was reported that the company had sold about 50% of the carry over of 410,000 bags, and had reduced bank loans to not more than $1,600,000. Furthermore, there seems to be good grounds for expecting that the remaining 210,000 bags on hand will be sold before the start of the next campaign in the fall, American Beet Sugar's selling season runs well over the turn of the year, and if government price control should end with 1919, and predictions as to higher prices materialize, it is to be expected that a substantial portion of the sugar made from the coming crop will find a market at prices even more satisfactory than those prevailing.

TABLE II—AMERICAN SUGAR REFINING CO. EARNINGS RECORD

Dec. 31	Total Income	Net Income
1914	$5,276,603	$4,455,490
1915	6,184,720	5,394,415
1916	13,455,107	11,455,107
1917	14,191,242	12,191,242
1918	12,552,222	10,552,222

There can be no doubt about the safety of the 6% preferred as an industrial investment issue. While the common is up considerably, and is no longer the specu-

lative attraction it was some time ago, there appeared to be possibilities of higher prices, and certainly if the continuation of the $8 dividend is assured for two years more, then at present prices around 90 the stock is not selling at an inflated level.

American Sugar Refining

American Sugar Refining, the largest refiner of sugar in the country, has had practically all of the speculation removed from its business during the period of government control. A vital factor among the refiners is the margin between raw sugar and the refined, a difference which really represents the profit basis in the business. At present this margin is constant. Refiners buy sugar from the United States Equalization Board at 7.28 cents and sell at 8.82 cents net, giving a margin of 1.54 cents. This margin in 1918 was 1.387, and in pre-war years ran under a cent.

TABLE III—CUBA CANE SUGAR EARNINGS RECORD

Sept 30	Operating Profit	Net Income
1916	$14,729,087	$12,179,012
1917	11,095,531	7,315,017
1918	7,390,604	4,126,424

The refineries of the American Sugar Co. have been running practically at capacity most of this year, and with the element of risk eliminated through the fixing of prices profits will virtually be limited only by the volume of busines done. Both domestic and foreign demand are running at high figures, and the prospects now are that American Sugar Refining should better the results of the year 1918, when $16.45 was earned per share on the common stock.

Like the other sugar companies, American Sugar has found the results of the past three years most satisfactory. In the years 1914 and 1915 a total of only $7.89 a share was earned on the common stock, whereas in the three following years the aggregate per share earnings on the common were $55. Of this $23.25 was paid out in dividends. The common has been paying $7 a year regularly since 1900. The current quarterly rate is 1¾% regular and ¾% extra, or at the annual rate of 10%. In view of the excellent position of the company the common stock is coming to be regarded as a 10% issue, and the continuance of that rate is looked for at least until there is a radical change in the position of the industry.

Earnings in 1918 were not as high as in 1917, a result which was due mainly to a decrease in profits of $3,393,000, occasioned by the fact that during the last three months of the year eastern refiners were limited to a market that consisted of only the New England territory and portions of the North Atlantic states. Costs were also higher, and exports lower than in 1917.

Not alone in the earnings record is the position of American Sugar impressive. The company's investments in the stocks of domestic beet sugar companies have been steadily growing in value, and yet they are carried on the balance sheet of the proprietary company at decidedly conservative figures. The balance sheet as of December 31, 1918, showed investments carried at $30,161,000. It is estimated that the undervaluation in three stocks alone, those of the Great Western Sugar Co., the Michigan Sugar Co., and the National Sugar Co., is over $17,000,000, an amount equal to about $19 a share on the total outstanding preferred and common stocks.

Working capital as of December 31, 1918, was $36,722,800, of which over $23,000,000 was in cash. Including working capital, trade mark, insurance funds, general investments, and plant account, it is estimated that after allowing $100 a share on the preferred stock, the asset value of the common stock is over $200 a share.

In connection with the investments owned by American Sugar it is worth noting that in 1918 income from that source was $5,202,000, a $2,000,000 increase over 1917, and the largest amount ever included in the income of the proprietary company.

Naturally the 7% preferred is one of the soundest of the representative industrial preferred issues. The dividend has been paid regularly since the organization of the company in 1891, and annual average earnings on the issue during the past ten years have been above 16%.

In view of the probable continuance of the $10 dividend for some time to come,

it would seem as if American Sugar common around 135 had not fully discounted present conditions. Certainly it has many features to attract conservative funds, which are seeking a good income return combined with possibilities of price appreciation.

Cuba Cane Sugar

Cuba Cane Sugar is the unproven of the sugar companies, a corporation which has yet to demonstrate its ability to earn sufficient to give the common shares a sound position. When the company was organized it was confidently expected that it would make good from the start. The table will show the earnings record, from which it will be seen that the first year of operation brought fairly good results, but the last two years have not been particularly good, and the showing made in the fiscal year ended September 3, 1918, was downright discouraging. Only $1.25 a share was earned on the common stock, and the financial position was anything but strong. Instead of showing a net working capital, the company reported an excess of current liabilities over current assets of $1,256,000, with bank loans of $12,000,000. This condition led to a consideration of the sale of $25,000,000 long term bonds. Just as the negotiations were on the verge of completion the plan was brought to a halt by the insistence on the part of large holders of the preferred that a full investigation of the company's affairs be made by disinterested parties, and the task was given General Goethals.

His findings have just been rendered, and while the published synopsis of his report includes several criticisms, the difficulties do not appear to be vital and are subject to remedy by the management.

He found, among other things, that mills were originally in rather a poor condition, and that it has been necessary to build up their condition from earnings, and that a sufficient time had not elapsed for these improvements to be reflected in earnings. He questioned the wisdom of the corporation's selling contract for its raw sugar, and recommended that it establish its own purchasing department.

In the meantime the question of financing has been held in abeyance, and it is hoped that the expected larger earnings this year will strengthen working capital position enough to make long term financing unnecessary. This in itself would be of material service in improving the position of the outstanding share capital.

Results of the grinding season just completed, which represents the 1918-1919 crop, are quite satisfactory. It is figured that the production of the company's estates was almost 4,300,000 bags compared with 3,612,000 bags for the previous year. Furthermore, the fixed price of 5.50 cents a pound for Cuban raws assures the company of receipts of .90 cents a pound more than last year.

On this basis it is expected that earnings for the fiscal year ending September 30 next, will be much more encouraging than for the preceding year.

If the issuance of long term bonds can be avoided, with the attendant financial improvement, the 7% cumulative preferred stock appears to be a reasonably cheap issue. Even if financing is necessary, it does not unavoidably follow that earnings will be insufficient to maintain the dividend upon the senior stock issue. At present its position may be termed semi-speculative.

The question of dividends does not enter into a consideration of the position of the common stock. On the issuance of General Goethal's report the market price was depressed, but in view of the world sugar situation, it seems probable that the price of this issue will continue to be fairly well maintained.

Current Stock Offerings

THE salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the purpose is purely to keep the reader informed on the more important issues.

AMERICAN WHOLESALE CORPORATION 7% CUM. PREF. Company (Baltimore Bargain House) is large manufacturer and conducts a large wholesale mail order business in general merchandise. Earnings of company have been showing good expansion in past three years. Preferred dividends have good margin of protection. Restrictions as to creation of indebtedness carefully framed. Fund of 25% of net earnings after preferred dividends to be applied to retiring of stock at 110. Capitalization: 7% cum. pref., authorized, $9,000,000, outstanding, $8,500,000; common, 150,000 shares no par value, outstanding 90,000 shares. Application will be made in due course to list pref. stock on N. Y. Stock Exchange. Offered at 100 to yield 7%.

CONGOLEUM COMPANY, INC. 7% CUM. FIRST PREF. Company has succeeded to all the property and assets of the Congoleum Co., heretofore owned and operated by the Barrett Co. Concern manufactures printed floor-coverings protected by patents in the U. S. and principal manufacturing countries of the world. Plant located at Marcus Hook. Ample to cover present needs, but plant capable of large expansion. Dividends earned more than twice over in past 3 years. Net tangible assets $165 a share. Liberal sinking fund and careful safeguards as to further indebtedness. Capitalization authorized and issued: 1st 7% notes, $1,000,000ffi 7% cum. pref., $2,000,000; 2nd 8% pref. $1,000,000; common stock, 30,000 shares. Preferred offered at 95 to yield 7.4%.

GUFFEY GILLESPIE OIL. Company incorporated in Sept., 1918 to assume business previously conducted as partnership by Messrs. Joseph F. Guffey and E. N. Gillespie, who have engaged in the production of crude oil and natural gas for many years. Proceeds from 200,000 shares offered to provide payment for certain oil and gas properties in West Virginia, Oklahoma and elsewhere and to increase working capital. Company operates principally in Mid-Continent, West Virginia and Texas fields where it leases about 200,000 acres of oil and gas properties. Present daily output, which will very likely be increased before long, is over 2,000 barrels of oil. Actual net earnings for 8 months ended April 30, 1919 on stock then outstanding, and should be over $6 a share for the current year including present issue.

MANHASSET MANUFACTURING CO. 7% CUM. PREF. Company manufactures cotton fabrics of superior grade and has practically all the representative tire manufacturers among its customers. Proceeds of this issue and $375,000 common stock sold at par, to acquire a modern brick spinning plant at Taunton, Mass., and build a new weaving mill at Putnam, Conn., furnish additional equipment and increase working capital. Net assets $250 a share and net-quick assets $115. Net profits for 3 years ended Dec. 31, 1918 covered preferred dividend requirements in excess of four times. Prospects for 1919 very favorable. Sinking fund of $72,000 annually to retire pref, at not over 110. Capitalization authorized and issued: pref. $1,200,000 and common, $1,125,000. Preferred offered at 97 to net over 7.22%.

NEEDHAM TIRE 7% CUM. CONV. PREF. Company incorporated in Mass. in 1914, and engages in the manufacture of automobile tires, fibre soles and rubber heels, owning its own plants. Proceeds to be used to retire outstanding notes and to build new factory, which is now well under way, and will be completed around September 1, and to provide additional working capital. New factory necessary to care for extensive demands of business. Preferred dividends have been paid regularly since incorporation. Convertible at any time share for share into common. Earnings for past six months show about 12% earned annually on common stock. Preferred offered at 90 yielding 7.75%.

OVERLAND TIRE COMPANY. Concern states that it has special process for retreading tires and solving difficulty of tire wastage. Company's faith in process is backed by guarantee of 4,000 miles to retail purchaser. Production at present reported to be running at 1,000 tires weekly. 1918 net profits after all charges and deductions $35,000. Estimated 1919 net profits, $100,000. Company is thinking of developing a strictly high-grade cord tire which may be placed on market early next year. Dividends of 6% annually paid on stock, par value $10, since January, 1918, Outstanding 100,000 shares.

QUAKER OATS 6% CUM. PREF. Company largest manufacturer in the world of oatmeal, rolled oats and other serials and grains. Old established business. No funded debt, and none can be created without consent of majority of preferred stock outstanding. Total net assets equivalent to about $172 a share. Net earnings for past ten years have averaged over 2.4 times present dividend requirements, and 3.2 times in 1918 after deducting Federal taxes. Offered at 99 to yield about 6.05%.

ROOT & VAN DERVOORT ENGINEERING 8% CUM. PREF. Company manufactures engines for automobiles, farm tractors and farm stationary power plants besides making Moline-Knight automobiles. Business established in 1899. Proceeds of this issue to be used to purchase additional equipment to enlarge capacity of plants and to provide additional working capital. In five years ended Dec. 31, 1918 net earnings covered dividend requirements more than 3 times. Net quick assets per share of preferred, $171 and total net assets $297. Prospects for company over next few years stated to be very favorable. Capitalization: authorized $5,000,000 8% cum. pref. and $2,500,000 common, par value, $100. Outstanding, Pref. $1,000,000 and $1,187,300. Preferred offered at 100 to yield 8%.

SPENCER PETROLEUM CORPORATION. Company organized to take over all the assets of the Pusmataha Oil & Gas and Spencer Oil. Combined properties are producing at the average rate of 200 barrels of high-grade oil and 13 million cubic feet of gas per day. Entire product is sold for cash through 5 pipe lines and 3 competitive refiners. Management expects a large increase in production in near future from drilling operations. Net proceeds of issue to be used for this purpose. Since consolidation of two properties in April, 1919, net earnings have averaged $21,000 monthly. Increased earnings expected from larger production. Directorate consists largely of inhabitants of Milwaukee. According to circular early dividends are anticipated.

CANOPUS IRON CORPORATION. Property owns in fee the minerals under 140 acres with surface in fee of 40 acres located in Phillipstown, Putnam County, N. Y., stated to have excellent transportation facilities. Iron ore is a magnesite, similar to the ores mined in great quantity in New York and New Jersey, and is stated to be high grade. Development work progressing very satisfactorily and large shipments are expected in a short time. Capitalization, $1,000,000. Par value $10. Profits on production of 300 tons daily on present prices for iron, figures up to 29.75% on capitalization. Stock listed on New York Curb.

Trade Tendencies

As Seen By Our Trade Observer

The average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This Department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry the reader should not regard these Trade Tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.—Editor.

Steel

Steel Revival Well Under Way

The revival in the steel industry forecast by the publication of the unfilled orders of the U. S. Steel Corporation has been amply verified by subsequent reports of increased activity, the blowing-in of new stacks, the elimination of price-shading, increased pig-iron production, and all the other signs of renewed prosperity for the steel-makers.

The unfilled orders report for the Steel Corporation, showing the first increase over the previous month for any month since the beginning of the year, has been closely paralleled by the report of pig-iron production, which showed an increase in June over the May figures, the first check to the downward movement which has prevailed hitherto.

Certain large steel producers are approaching a 90% level of output, as compared with an average production of less than 70% of capacity for the industry as a whole up to recent times.

Activity for the industry as a whole is increasing, though irregular in different branches, with an average level of 75% of capacity.

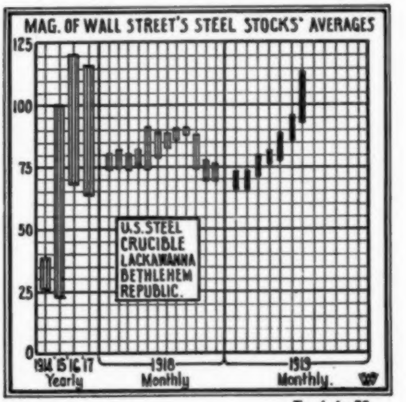
An indication of the strength of the steel market is given by the fact that about this time in normal years comes the seasonal dullness of the steel trade, instead of which we now have greatly increased activity. Pig-iron producers have generally stiffened prices, particularly in the South, where the adverse transportation differential which has usually been absorbed into the price by the Southern steel-maker has now been removed and left to be paid by the buyer. As this makes a difference of close to $5 a ton, it can readily be seen that the demand must be very active to stand the increased cost.

Other prices in the steel industry bid fair to remain at present levels for some time to come because of the attitude of the large producers, with a few exceptions. One of these is in the wire trade, where there has been a substantial price advance because of the unusually heavy demand which has kept the mills working at 100% capacity far ahead of the rest of the steel trade.

Export Prospects Booming

Export inquiries for steel have been coming in large volume, and many of them have already resulted in orders. For heavy steel products the market has been well sustained by the buying of France and Japan, who need hundreds of thousands of tons of steel to carry out their shipbuilding programs. This demand has made up in some measure for the cancellation of contracts by the Shipping Board at the cessation of hostilities.

Rail steel has also made a good showing on shipments abroad, although the uncertain railroad policy of this country has prevented orders. The rumored order of the Railroad Administration for 300,000 tons of rails has not materialized as yet, but there is no doubt it will have to come sooner or later. Outstanding orders for domestic rails are almost all filled already, and there have been large exports of rails, particularly to European countries. England, which used to supply a great part of this demand, is in a poor position to do so now, both on account of general labor unrest, and more particularly because of the rise in the price of coal and its diminished output.



To July 23.

Germany, too, will be out of the running as a producer of steel for export for some time, and meanwhile the American steel maker reaps the advantage in heavy export orders. French demands for steel for reconstruction purposes,

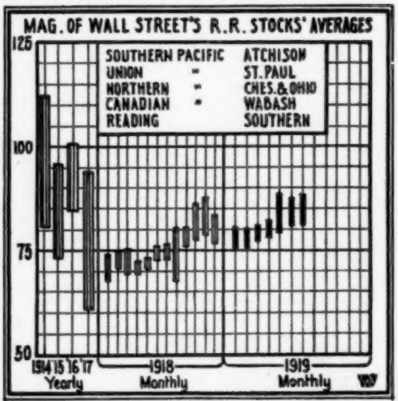
which have been held up hitherto, have recently begun to come in, indicating that in spite of the attempt to cut imports down to the bone and in spite of the highly unfavorable exchange situation, the government has come to the realization that it will not pay to wait until France is able to construct her own machinery.

Export outlook is therefore very favorable to American manufacturers, at the very least until European production comes back to a normal state, and after that, too, if we can meet their competition on equal terms.

Railroads

Poor Financial Position of Rails

The outstanding feature of recent railroad developments has been the astounding financial weakness which has been dislcosed. Not long ago an estimate compiled by a prominent financial periodical showed that the approximate total of $9,000,000,000 par value of railroad bonds had shrunk in value by a billion and a half, a depreciation of about 17%. A similar shrinkage in market value has taken place in the preferred and common stocks of the railroads within the last two years, the figures being practically the same.



To July 23.

Strict and not over-informed regulation, rises in operating expenses due to increased wages and costs of material, and uncertainty as to the future have played their part in raising hob with the rail securities. Then, too, the diversion of interest on the part of the investing public to the industrials has also worked to the disadvantage of the railroads, and among more temporary considerations must be put the unusual strain on traffic facilities during the war period without compensating maintenance, and the disastrous severe winter of 1917-18.

A study of the railroad expense and revenue situation recently made public by Frank H. Fayant, assistant to the Chairman of the Association of Railway Executive, summarizes the result for the first five months of 1919 as an average yield on the $18,000,000,000 of railroad investment of 2½%, which would mean unconditional bankruptcy for the majority of railroads were it not for the Government guarantee.

That the Government guarantee will be kept up after the return of the roads to private ownership is more than doubtful, as if it means merely a fixed guarantee without division of super-profits with the Government it would mean that the Government was assuming a risk without a corresponding hope of return, while if there were such a division of profits it would amount for all practical purposes to Government ownership. The railroads themselves do not want any guarantees on such a basis, as witness the memorandum of Robert S. Lovett, President of the Union Pacific, which is more fully discussed in another section.

Mr. Fayant's summary of the situation is that so far railroad wage rates have risen 85% since the beginning of the war, and costs of materials 100%; taken together, a rise of 90% in costs of operation. To meet these rising costs, the average rates for freight and passenger service have been raised 35%. To this must be added the gain in operating efficiency which has been secured by the adoption of better transportation methods.

For instance, the average trainload has been increased from 452 tons in 1915 to 625 tons last year, a gain of 38%, which was reflected in a saving of operating costs. With all these economies, however, it is estimated that the net cost of transportation has risen during the war by 80%.

This is the fundamental fact behind both the poor earnings record of the railroads taken as a whole and the shrinkage in the market value of their securities which was referred to above. The market price may be taken as the consensus of well-informed opinion as to the standing of the railroads as an business enterprise; and that opinion seems to be a very low one.

Prospects for Higher Rates

The realization of these facts has gradually swung public opinion around to the point where it will consent to appropriate rate increases. The increased volume of traffic caused by the record crops, which was heavily counted upon at one time to stave off a thoroughgoing solution of the rail rate problem, will not affect more than a small proportion of the mileage of the country. Besides, grain being a bulk commodity, contributes a comparatively small amount to the net revenue of the roads carrying it.

Director-General Hines in his recent statements has been showing a tendency to entertain more favorably a suggestion to increase rates all around even during the short time the roads have still to remain under Government operation. As one feature that most of the plans which have been proposed to settle the railroad problem have in common is some sort of protection for railroad revenues in the future, it seems likely that a provision to this effect will be included in the final definitive plan. Since the revenues provided for by the

railroad law of the future cannot well be less than 5%, if Mr. Fayant's figures as to net income are correct, rates will have to be increased considerably to make up the difference between the present 2½% return on present rates and whatever figured is declared to be a reasonable return.

That the railroad employees have come to concede the necessity of higher rates for the companies at the same time as they demand higher wages for themselves is shown by the change of attitude expressed in their official periodical, which flatly states their belief that "railroad rates should be increased to the extent that a living wage at least could be guaranteed to the lowest paid classes of railroad employees. The railroads of the United States are justified in demanding rates adequate to cover their costs of operation."

Coal

Coal Shortage No Delusion

That a coal shortage in this country is in sight is the conclusion that must be drawn from a study of the fundamental statistics of the industry. There are three sets of causes: a hugely increased export demand, a falling-down in our production, and the prospect of transportation difficulties at the time when the peak load for coal carriage is put upon them.

The central factors of the foreign coal demand are the decline in production of English coal mines with the introduction of the seven-hour day and a prospective six-hour day; the increased industrial demand from the Continent as the war-shattered industries of France and Belgium return to normal activity with its concomitant increased use of coal, and the increased prices being paid for English coal following the inauguration of the new wage schedule, the rise authorized by the British Government amounting to $1.50 a ton. This last means that it will probably prove cheaper for the European manufacturer to get his coal from the United States, in spite of its greater distance and consequent higher transportation costs, than from the nearer English coal fields.

The decrease in production is due for the most part to the exodus of foreign-born coal miners to their native countries, which has recently taken on large proportions with the gradual removal of shipping restrictions. In addition there is the perfectly natural let-down from the record production of last year, made necessary by war-time needs.

The transportation difficulties will in all probability begin to show themselves in a few months, when the crops of record size start moving, and non-essential manufactured products whose output was greatly decreased during the war begin to travel to the hungry demand that has been waiting for them, and because of increased prosperity, is now more than ever able to pay for them.

No Outlook for Cheaper Coal

With a great world decrease to make up, estimated in Great Britain's case alone at over 40,000,000 tons, and with a shortage in production for this country figured of 64,000,000 below our own requirements figured at 55,000,-000 below the exceptional needs of last year, it is not likely that coal prices will recede from their present levels. In fact, the reverse is much more likely, and some manufacturers have been talking of an increase of $1.50 a ton on the average within the next eight months.

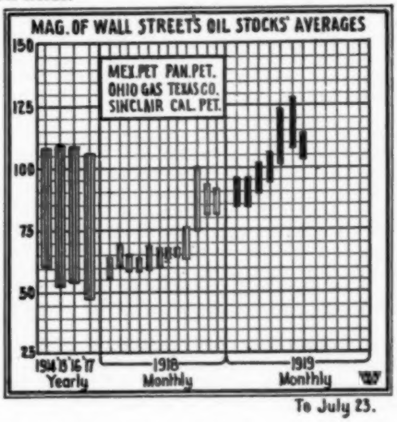
Reports of the trade show that domestic consumers are heeding the "Buy Your Coal Now" publicity movement to a larger extent than industrial concerns, as there is a heavy demand for the smaller domestic sizes of coal. Coal operators specializing in the other sizes are not showing any eagerness to make new contracts, figuring on higher prices and more active business in the latter months of the year.

Unless a bill introduced into Congress for Government price-fixing in coal and coke for the next five years goes through, the outlook is that supply and demand left to themselves will drive the price of coal substantially higher.

Oil

Oil Market on Even Keel

Recent reports issued by the United States Geological Survey indicate very little change of importance in either the production or the consumption of crude petroleum. Oil men say that consumption is keeping step with the increased demand for export oil, caused by the elimination to a large extent of the European oil fields.



To July 23.

In this connection Mexico is much spoken of as the producer of the extra oil needed to satisfy European demand, which will be intensified by the resumption of active manufacturing. It so happens that the great European fields, in Galicia, Roumania and Baku, are all near the center of great political disturbances, which even since the armistice have prevented any great renewal of production. Europe should, therefore, be in the market for oil from

the Western Hemisphere to a larger extent than heretofore.

Another expected source of increased demand is the shipping industry, which has been predicting freely that coal will soon be replaced to a very great extent by oil as the motive fuel on ship engines. The United States Shipping Board has come out with an ambitious program for the development of the oil fields of the West on lands reserved for the Board, without any interference with the claims of private operators. To what extent this policy is compatible with the Board's recent decision to return all its ships to private ownership is doubtful, but it illlustrates the tendency to prefer oil motors to steam engines for ships.

Those who like to take a long forward look point to the fact that the coal resources of the world, at the present rate of consumption, are estimated to be good for another 200 years, while there is sufficient oil in already known fields to last for 900 years, without taking into account the new oil regions all over the world which are being rapidly developed.

Practically the only price change of importance has been a small but widespread rise in kerosene, with small local advances in gasoline rates. The differentials in favor of Pacific Coast oil producers are still maintained, the reason being, it is explained, the difficulties of transportation and its high cost, because pipelines are scarce and tank-cars expensive in the Coast region.

Amazing Corporate Activity in Oil

The figures for new incorporations of oil companies for the month of June compiled by a New York commercial newspaper indicate a remarkable increase of activity which should soon be reflected in greatly expanded production. The capitalization of the new companies amounts to $355,390,000, a 75% increase over the May figures, and a record for the United States. Included among these are two corporations of $100,000,000 capital and one of $50,000,000, while the largest new corporation previously recorded this year had an authorized capitalization of only $32,000,000. This is taken to bear out the contention that the oil industry has now reached the stage of consolidations and that the large corporation will be the typical oil producer of the near future instead of the small independent concern of small acreage and comparatively high production costs.

With greater production and decreased costs the outlook for oil prices seems to be that in the long run they will decline, in spite of an active demand at home and abroad.

Textiles

Cotton Scarce, but Silk Plentiful

Short supplies and rising prices have continued to be the features of the cotton goods market. The sellers have the whiphand of the situation now, and buyers are being forced to revise their bids upward much against their will. With no immediate disturbance of the labor situation in sight, textile manufacturers expect a season of great prosperity that will last for quite a long time.

In accordance with this view comes the report of a great revival of construction work on textile mills, particularly in the South. The great prosperity caused by the high price of staple cotton is being reflected in large bank balances, which practically enable Southern textile manufacturers to get along without financial aid from the North, both in their operation and in the construction of new plants. This new construction is all the more remarkable because, as is well known, many plants rebuilt or constructed for war purposes have now been converted into factories for peacetime needs.

Many buyers of cotton goods are adopting a sort of policy of desperation, and having no hopes of price recessions for the immediate future, are putting in larger orders than ever in spite of the great rise of the past few months. Many manufacturers have had to install a system of allotments to their customers because of the great pressure of buying orders, and time and again salesmen have been recalled from the road after a few weeks' travelling because the manufacturing concern already had more orders than it could fill.

Silk Prices Weakening

In contrast to the firmness of cotton goods, finished, semi-finished and raw, the silk market has shown a decidedly weakening tendency, both in Japanese and Italian silks. Buying has been largely restricted because of fears of imminent labor troubles in the silk mills, and buyers are not showing any great enthusiasm, in some cases compelling sellers to shade their prices before consenting to do business.

It is quite probable that the price recessions in Italian silks are due to the heavy discount on lire in the foreign exchange market, which makes America the most attractive market for Italian exporters to sell in, because of the high exchange value of American dollars in terms of Italian lire.

The drop in Italian silk has carried the Japanese product down with it, although Japan has a large and growing domestic market for its raw silk in its textile industry, especially directed at the South American trade in finished textiles. Exports of Italian silk may be expected to increase greatly as the industry recovers from the effects of the war, which hit it with particular severity as it is largely a nonessential from the war-time point of view.

Wool still shows an upward tendency, particularly in the better grades, as some of the big open wool markets are being sold out of available supplies. In spite of the new supplies now coming on the market from the English clip, prices are firm and even rising, laregly on the strength of heavy export inquiries from Europe. The latter will probably be a powerful factor on the bullish side of the wool market, with a four years' unsatisfied demand for woolen goods to be made up that has only recently been released by the lifting of import restrictions.

Motors

Demand the Great Factor

The motor industry found itself at the coming of peace in a situation more favorable than that of the large manufactures of this country. With most of them it was a question of getting after the demand, persuading them not to wait for a will-o'-the-wisp return of the era of low prices; while the automobile manufacturers had to face only the technical problesm of re-adjustment from a war to a peace basis. Their demand was already made for them, its two main stimulants being the cutting down of production during the war to make room for war necessities, and the greatly increased earning power of large sections of the population, many of whom had never felt they could afford to own a car before.

Particularly noticeable among the latter were the farmers and planters, with prices unprecedented in this generation for their products, and many skilled and even unskilled laborers, whose increased wages left room for various un-necessaries of life in spite of the higher cost of living. Added to this new demand, of course, was the ordinary car-buying public, which had had to postpone its usual replacements because of the car shortage.

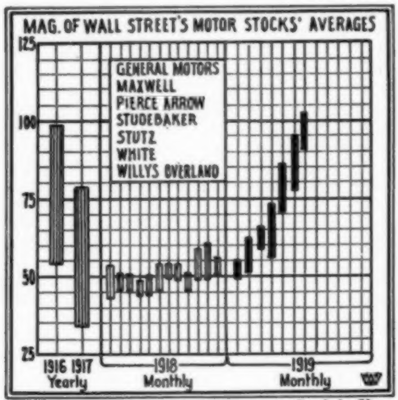
As a result, the demand today is estimated by an official of one of the largest cheap-car manufacturing companies to be more than 60% ahead of the available supply, and orders, both by dealers and the consuming public, are being booked for months ahead.

The automobile manufacturers have done a good piece of work, it is universally admitted, in readjusting their plants to peace-time production within a short time after the conclusion of their war activities, and this has helped somewhat to stave off an otherwise acute car shortage. With the great majority of them this process has been completed, and their problems now are those of increasing the quantity of their output rather than changing its kind.

Activity in Motors

The extent of this activity has been shown by the great frequency of mergers among automobile companies, which may be taken as an indication that manufacturers expect a long-continued period of active demand and are preparing to concentrate all their resources to meet it. In line with this tendency is the development of a large corporation controlling several types of cars in an endeavor to occupy a place in the motor industry somewhat analogous to that of U. S. Steel in its field. Extensive merging and consolidation is a normal step in the development of a large industry, and indicates a well-advanced stage in its growth.

The growth in popularity of the motor-car is shown by the registration figures for this year of 5,500,000, over a million cars better than the best previous figures. A similar growth has taken place in the use of motor-trucks, most of which are manufactured by concerns which also turn out pleasure cars. Allied lines of development which are likely to prove more important as time goes on are the production of tractors, especially with the increasing importance of intensive agriculture, and, looking much further ahead, the development of large-scale aviation.



Recent price increases have been announced by several makers of medium and high-grade cars. In view of the high costs of labor and materials, this action is taken to foreshadow general increases all along the line in motors.

Leather

Shortage Makes the Price

The shortage in leather is most acute, and does not promise to be relieved to any extent within the near future. Prices of hides, leather, and finished products, such as shoes, have been skyrocketing for weeks, and prominent leather men have said time and again that before the year is over prices will be anywhere from 25 to 50% what they are today.

The stocks on hand are unusually small, in spite of the general realization that still higher prices are to come. The buying fever has spread down to the ultimate consumer, who is buying in quantities to forestall further advances. Naturally, this does not tend to bring prices down any.

The fundamental trouble, says an official of the tanners' council, is one of transportation. If we could get the shipping to take care of the imports of raw leather the prevailing scarcity would be eased, with consequent lowering of prices. According to him, there are large stocks of raw leather rotting for lack of ships to take them away at ports in South America, India, China and Siberia.

It is estimated that during the four years of the war the exports of leather manufactures increased in value 121%, while imports of hides increased only 51.27% in value and only 18.02 in weight. This would tend to support the view just mentioned.

There are factors, however, that go deeper

than merely transportation. There is a vast diminution to be considered in the amount of live stock left in Europe caused by the devastation of the war. This means in the first place a large immediate demand of abnormal size for leather which would otherwise have been provided by European cattle, and in the second place an assurance that this shortage will last for a fairly long time, until the live stock of the great industrially-developed leather consuming countries is replenished to somewhere near its pre-war numbers.

It is obvious, therefore, that this shortage is worse in the countries which have sustained the full shock of war than in our own. This is evidenced by the higher prices which are being paid, an example of which is given by the $25 to $30 now being paid as a general thing in both the belligerent and the neutral countries of Europe.

From this point of view, which is shared by many leather dealers and manufacturers, a growing freedom of shipping will result in higher prices for finished products by a process of equalization between the high prices of this country and the still higher prices of Europe.

All Around Leather Scarcity

This situation, of shortage and high prices, has pervaded every part of the leather industry. In the raw hides, for instance, every grade of raw stock has shared in the advance, the poorer grades commanding a readier market than they have enjoyed in years.

Similarly, in the tanned leather market, prices have risen so high that many shoe manufacturers complain that they cannot buy at present prices because they are afraid their customers will not stand the extra increases of price in the finished product made necessary by the advances in the raw hides and intermediaries.

Among the finished products, the rise in shoes has been the most spectacular, and has provoked many charges of profiteering. Retailers and leather men deny this accusation, saying that it is all a matter of supply and demand, and as such entirely out of their control. They assert that the retailing profits have even suffered a decline because of the loss of business, and say the net profits in their line are smaller than in many others.

Sugar

Consumers Have Nothing to Fear

A nation-wide investigation by a New York sugar house has shown that there is a widely-spread notion that a sugar shortage is imminent, and that in consequence there has been a large amount of hoarding of sugar. Housewives have been buying 100-pound lots where they formerly bought no more than five or ten pounds at a time. To some extent, of course, it is to be expected that more sugar would be bought at this time than usual because of the regular demand for sugar to be used in canning summer fruits, but dealers say that this is not enough to account for the heavy buying.

From a general survey of the situation it would appear that this anticipation of a coming sudden rise in sugar prices is unfounded, except to the extent that these very steps taken to avoid it may cause a rise. Refiners who recently would make no commitments for delivery earlier than September have been offering sugar for August. The disturbing factor that seems to be causing the most concern is the tie-up of shipping due to the strike, but this, it is realized, is only a temporary inconvenience.

It may delay the shipping of raw sugar to the refineries in this country, whose production facilities have been greatly increased to meet the heavy strain put upon them by the war, but it is believed that they have enough reserves of raw sugar to keep them busy and tide them over until shipments are renewed in greater quantity. Large stocks of raw sugar are believed to be available, partly because of unshipped sugar that has been held up by shipping troubles, and partly because bad weather has slowed down the operations of many of the centrals in the West Indies. However, the Sugar Equalization Board has been arranging for the importation of large quantities of Cuban and Porto Rican raw, mostly for spot shipment.

EXPORTS OF REFINED SUGAR FROM THE U. S., 1898-1919

Year	Pounds	Exp. Price, Cents Per Lb.
1898	6,048,000	5.0
1899	9,462,000	4.4
1900	22,192,000	4.5
1901	8,728,000	5.0
1902	7,218,000	4.1
1903	10,421,000	3.4
1904	15,305,000	3.5
1905	18,321,000	4.1
1906	21,899,000	3.8
1907	21,179,000	3.9
1908	25,497,000	3.8
1909	79,885,000	3.5
1910	125,453,000	4.3
1911	54,947,000	4.1
1912	79,594,000	4.6
1913	43,995,000	3.8
1914	50,895,000	3.6
1915	549,007,000	4.7
1916	1,630,151,000	4.9
1917	1,248,908,000	6.2
1918	576,483,000	6.9
1919	940,000,000*	7.1*

*June exports estimated.

The Sugar Embargo

The recent suspension of sugar exports by order of the Sugar Equalization Board will undoubtedly tend to keep prices down, as it will exclude from our supply the large European demand which had been increasingly dependent upon our sugar throughout the war period with the removal from the field of the beet sugar formerly supplied by Germany, Austria and Russia. The attached table shows

how American exports of sugar took a tremendous leap beginning with 1915.

Apparently the Sugar Equalization Board took the position that the great stimulation which the last five years gave to sugar exports was due to war necessities, and now that these necessities are on the point of disappearing it is time to consider domestic needs and put the needs of American consumers before those of Europeans, who may shortly expect to resume the use of European-grown and refined beet-sugar.

This action will shorten the period of readjustment of the American sugar industry to the conditions that will face it in the future. It will force producers and refiners to concentrate their efforts on developing the home market, instead of relying on the European trade, which is easier to get at the present time, but which will probably shrink in a short time to its pre-war dimensions. In this connection the domestic demand may be expected to increase greatly, with the substitution of sugar products for alcoholic drinks, as has been the experience of prohibition states hitherto.

The outlook for sugar, then, may be summarized as a turning of attention from the export to the domestic demand, a consequent removal of a tendency to higher prices from this direction, and a probable rise in domestic demand itself.

Shipping

Strike Holds Up Shipping

The most important recent development in the shipping situation has been the strike of marine workers for higher pay, shorter hours, better working conditions, and recognition of their union. They have encountered severe opposition from the operators' association, although the Shipping Board, as is usual in conflicts of governmental bodies with organized or semi-organized labor, gave way early and conded the workers a 10% wages increase as well as granting some of their other demands.

The workers have in their favor the labor shortage in the shipping industry, and the fact that some of the exports which will be due shortly, particularly the grain crop when it is harvested, cannot be long delayed without causing serious and wide-spread damage. On the other hand, the employers are apparently in earnest in their desire to fight the thing out, and are undoubtedly better equipped financially for a struggle than the workers. From their point of view, too, it must be considered that every week lost from transportation now is a money-making opportunity which will probably not be repeated in the future, when the shipping competition of other countries and the increasing available tonnage will cut down profits.

American shipping labor is probably the best paid of any in the world, and the only reason that American shipping has been able to continue to pay these wages is because of the universal scarcity of tonnage at the present time and the ability of the American shipper to guarantee delivery within a very much smaller time than most of his competitors. Should disturbed labor conditions continue for any length of time, he would lose this advantageous differential in time and find himself with the same or higher operating costs, which would leave him in a very poor position to compete with European and Japanese shipping. The latter, by its heavy buying of steel plates and its announced policy, seems to be planning an aggressive campaign for the world shipping business.

Merchant Marine Policy Being Settled

After all the time that has been taken for determining the broad outlines of our marine policy of the future, something is now being done to carry it out. The Shipping Board has announced the opening of 62 regular cargo liner services within the last six months, twenty-five of which start from New York. They cover South America, Africa, the Pacific, Italy, France, the North Sea states and England.

Shipbuilding is on the boom again, and it has been announced that over $200,000,000 worth of merchant ships had been ordered or were about to be ordered, both for domestic and foreign account. This would indicate that a part at least of the magnificent shipbuilding facilities which were put up during the war for military needs will not be allowed to go to ruin. A prominent British shipbuilder even said recently that he greatly feared America would take away from Great Britain a large part of the latter's shipbuilding trade.

The plan of sale announced for Government ships seems to hold out very favorable terms to the shipper, as it allows him to charter the ships from the Shipping Board for three years, to pay in specified amounts to the Treasury from his profits, and at the end of that time to have the option of buying them outright at $110 a ton or returning them to the Board.

Effect of Two-cent Transfers

How Much New York Tractions Will Gain—N. Y. Railways, Brooklyn Transit and Third Ave.

By GEORGE S. HAMMOND

THE first definite ray of hope for the local traction situation came on July 7 when Public Service Commissioner Lewis Nixon issued an order granting Job E. Hedges, as receiver of the New York Railways Company, authority to charge two cents for transfers at 99 of the 113 points of the system where transfers have been given free. This is granted as a temporary relief, in effect for one year, and upon condition that the lines of the company are not disintegrated.

Notwithstanding this action, Judge Mayer in the United States District Court on July 11 issued an order separating the Eighth Avenue Railroad line from the receivership of the New York Railways. The order carries with it the proviso, however, that the contract to be made by the receiver with this line shall be the same as if the severance had not taken place.

The city administration has already announced that it will fight what is referred to in Bolshevist literature as the "traction fare grab," but it would seem that they have just about reached the end of their rope in their stubborn opposition to improvement of a situation clearly intolerable, whatever the sins of the traction companies in the past. It would appear, moreover, that this form of relief may be merely the opening wedge in a general marking up of fares on all the city lines.

At any rate, on July 18 this order was followed by one authorizing the Brooklyn Rapid Transit Company to charge for transfers at all, but thirty of the many transfer points in the borough. This charge goes into effect on both systems on August 1.

The exact effect is not easy to calculate. The number of transfers received by each constituent company of the various traction systems is available, but no one can tell precisely the extent to which their use will be curtailed. For example, passengers who have found it slightly quicker or more convenient to change from one line to another to reach their destinations will not do so as readily when it involves an additional cost. Comparatively few people will call for transfers if they require them only for rides of from two to, say, five blocks. Furthermore, as long as a five-cent fare is in effect on the rapid transit lines, the charge will divert still more traffic from the surface lines.

New York Railways

The management has estimated that the New York Railways will obtain a maximum additional revenue of $748,000. Disregarding any loss of cash fare passengers which may result, this is equivalent to 37,400,000 transfers. For the six months ended December 31, 1918, transfers were issued at the annual rate of 71,260,000. The company's figure is thus equivalent to the loss of roughly one-half the present transfer traffic. The number of fare passengers for the last six months of 1918 was at the annual rate of 223,953,000. In short, while one of every three passengers calls for a free transfer, perhaps only one in five or six will be willing to pay the two-cent charge.

It will be found, of course, that the effect will vary among the different lines of the system—certain routes receiving a much greater ratio of transfers to cash fares than others—which is a matter of some importance to holders of the divisional bonds. It is scarcely within the scope of the present article, however, to take up this phase of the situation.

The operating income of the New York Railways for the first four months of the present year has ranged from $83,446 in January to $188,865 in April. Taking the earnings of the month of April as a basis for determining the present rate of annual earnings, and adding thereto the estimated

transfer revenue, we may place the earning power of the company about like this:

Annual Operating Income	**$2,265,000**
Additional Transfer Revenue	**748,000**
Total Operating Income	**$3,013,000**
Other income	**625,000**
Total Income	**$3,638,000**
Fixed Charges	**3,400,000**
Balance for Income Bonds	**$238,000**

This apparently should provide a revenue sufficient to meet the interest on the Refunding 4s and the underlying bonds. The standard of maintenance is probably below normal, however. In the year ended June 30, 1918, total maintenance was $2,384,007. For the last six months of the calendar year 1918 it was at the rate of slightly over $3,000,000 annually. This is by no means an adequate increase, and in view of the higher costs of labor and materials the expenditure might easily reach $4,500,000 without providing for any greater amount of work than has been done in the past.

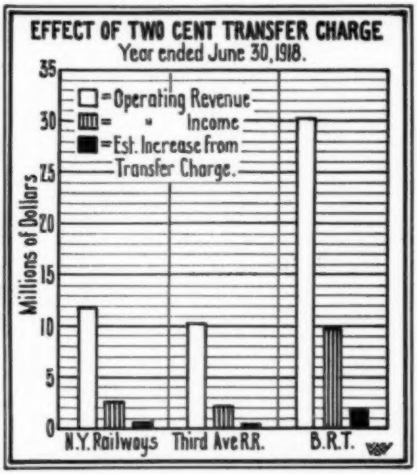
The factor of delayed maintenance is likely to give the statements of income for the first few months after the new charge goes into effect a fictitious appearance of moderate prosperity. In short, the transfer charge will afford a measure of relief, but I very much doubt if it will suffice to thoroughly reestablish the position of the Refunding 4s, and it is still less likely to revive the Adjustment Income 5s. Either costs must recede or more substantial aid must be granted, if the company is to derive much more than a partial recovery of earning power.

Third Avenue

The Third Avenue, which has not been granted the transfer charge as yet, is in a somewhat different position. About one-fourth of its mileage and one-tenth of its gross revenues pertain to lines lying chiefly outside the city. There has already been some readjustment of fares on these lines and the two-cent transfer charges, if granted, may be applicable only to the lines under the jurisdiction of the First District Public Service Commission.

In the last quarter of 1918 the city lines of the Third Avenue carried 42,538,000 cash fares and 9,810,000 transfer passengers. This makes a somewhat smaller proportion of transfer passengers than on the New York Railways—about one in five. A great deal of the Third Avenue property is in the less thickly settled portions of the city, and it is questionable if transfers could be dispensed with by patrons of the company to the same extent as on the New York Railways. Were only 60% as many transfers issued as formerly, the two-cent charge should bring in about $470,000.

In April and May, 1919, the company just about earned its total charges, including income bond interest.



The transfer charge would thus represent, it appears, the company's annual net income, with costs as they are now. As charges include $1,126,800 income bond interest, this would put the margin over fixed interest at somewhere around $1,600,000. Even with maintenance at a fully adequate rate, Third Avenue should be able to get along nicely, as far as fixed interest is concerned, and with any reduction in costs might be in a position to consider resumption of income bond interest payments.

Brooklyn Rapid Transit

The situation of the Brooklyn Rapid Transit Company has likewise some

distinctive features, particularly the fact that this property is a combination of rapid transit and surface lines. The rapid transit division, embraced in the New York Consolidated Railroad, upon which transfer fares are negligible, carries practically half of the cash fare passengers of the system, but the number of transfers used on the surface lines is so great that nearly one out of every four passengers of the entire system is a transfer rider.

In the last quarter of 1918, for example, the company carried 150,790,000 cash fare passengers, of which 70,281,000 were on the New York Consolidated, leaving 80,709,000 on the other parts of the system. Of the latter 35,431,000, or 44%, transferred, making the average fare only 3.32 cents. Where the transfer traffic is so large on a system operating a great number of routes within a single borough, as distinct from an interurban line running longer distances, we may assume that a large proportion of the total transfers issued are used for short trips and would not be purchased if a charge were made.

For this reason 60% is probably a liberal estimate of the number of fares which will pay the two-cent charge. With transfers being issued at the annual rate of 155,400,000, as they were in the last half of 1918, this would realize about $1,860,000 annual additional revenue.

In the year ended June 30, 1918, Brooklyn Rapid Transit succeeded in earning $4,112,054 over fixed charges and taxes of $8,690,367. In the following quarter higher costs began to show their effect, reaching a climax in the last quarter of the year. The results of these periods, separated for New New York Consolidated and the surface lines, are summarized in the table.

BROOKLYN TRANSIT'S INCOME, LAST HALF OF 1918

(000 omitted)

	New York Consolidated	Other Lines
Third Quarter:		
Operating Revenues....	$4,056	$4,439
Total income	1,573	1,441
Charges	1,217	1,234
Net Income...	$355	$106
Fourth Quarter:		
Operating Revenues....	$3,602	$4,029
Total Income..........	619	630
Charges	1,095	1,194
Net Income.......Def.	$475	Def. $564

If we take the income accounts of the last two quarters as a conservative basis for the fiscal year's results, we obtain a deficit of $910,000 for the surface lines.

The preceding estimate of $1,860,000 transfer revenue should make these lines at least self-supporting. The chief beneficiaries are, of course, the holders of the various issues of surface line bonds. In view of the low prices prevailing for these issues, I think it inadvisable for holders to sell, now that relief is in sight.

The New York Consolidated, whose bonds are the chief security for the B. R. T. 7% notes, receives no advantage, other than a possible small diversion of traffic from surface lines, though clearly it stands in need of it. None the less, if the system is not disintegrated, all the component parts necessarily benefit indirectly by any action tending to relieve the financial stress of the whole. As stated in connection with the other local companies, however, the transfer charge will afford merely a measure of emergency relief and will not suffice by any means to re-establish Brooklyn Rapid Transit's credit to its position of a few years back.

It has been stated on good authority that an average advance of 50% in traction fares is required to put American electric lines back on a pre-war basis. The two-cent transfer charge obviously cannot mean anything approaching this increase—probably not 10% at most. It is, however, a substantial crumb falling from the table of regulative authority, for which, under the unwholesome conditions prevailing in New York, traction security holders must be thankful, notwithstanding that the needs of the case are by no means filled.

United Railroads of San Francisco Reorganization

Difficulties Being Overcome—Reduction of Fixed Charges—Sinking Fund 4s Are Cheap—Prospects for United Railways Investment Company

By JOSEPH B. COWETT

A NEW PLAN of reorganization for the United Railroads of San Francisco is now before the California Railroad Commission for approval, and according to unofficial sources, is making very satisfactory progress. This property has been in difficulties for a number of years. After protracted negotiations, an amended plan of reorganization was declared operative on June 2, 1917, but was not carried into effect.

United Railroads of San Francisco has never been a very prosperous property. Out of the past ten years, it has earned its heavy fixed charges with any substantial margin of safety in only four, and in the others it either about covered them or showed rather large deficits. Interest on its largest bond issue outstanding, the sinking fund 4s of 1927, has been in default since October, 1916, and the principal on some of its underlying issues is in default, though interest has been paid regularly.

Earnings

The income account for recent years appears in the table. The exceptionally poor showing for the year ended June 30, 1918, was due in large measure to the effects of a serious strike which lasted from August to December, 1917. This not only substantially reduced traffic, but also made operations especially difficult and costly.

UNITED R. R. OF S. F. INCOME ACCOUNTS
(In thousands)

	Cal. Year 1918	June 30 Years 1917-18	1916-17
Operating Revenue	$7,510	$6,261	$7,458
Net, After Expenses	2,479	255	2,205
Other Income	167	170	163
Total Income	$2,646	$425	$2,369
Bond Interest	1,698	1,591	1,594
Other Interest, etc.	140	333	334
Rentals & Leases	178	177	175
Taxes	414	...	...
Balance, sur. or df.	*$224	†$1,677	*$263

*Surplus. †Deficit.

Earnings in the calendar year 1918 showed considerable improvement over the twelve months ended June 30, and the road was apparently able to cover fixed charges. Results in the current year have been running at about the average rate in 1918.

The road has had numerous difficulties. For one thing it operates in a territory whose officials are not very favorably inclined to the property. It has been encountering severe jitney competition, which, it is stated, is not of such large proportions now as formerly.

In point of financial structure, the difficulty with the property is its exceptionally heavy fixed charges, more than half of which are in the form of interest charges.

The total bonded debt of United Railroads (including underlying obligations) is about $36,648,000 of which $23,500,000 consist of sinking fund 4s due 1927. The reorganization plan will cut the bonded debt down to about $15,000,000, or less than one half of the present funded debt.

The sinking fund 4s are the most interesting security of all involved. The tentative plan is to give their holders: 15% of their face value in Market Street Railway consolidated 5s, 1924,

The United Railways Investment Company controls United Railroads of San Francisco through its controlling interest in the California Railway & Power of which United Railroads is a

50% in 6% prior preference stock, 5% in 6% first preferred stock, 10% in second preferred stock and 20% in common. The Market Street Railway 5s, which are now outstanding to the amount of $7,053,000, are to be left undisturbed and about $3,525,000 more are to be exchanged for the sinking fund 4s, bringing the total up to approximately $10,578,000. It is believed that $5,200,000 short term notes will be sold to retire the remaining underlying bonds outstanding.

Sinking Fund 4s Look Cheap

The sinking fund 4s are currently quoted around 35, at which price they appear cheap. Persons intimately familiar with the plan and the proceedings estimate that the bonds are worth between 50 and 60. On this basis even at the lower figure they indicate a possible profit at about 15 points.

Let us attempt to calculate the value of the bonds independently. The Market Street Railway consolidated 5s are currently around 75. For the other securities there are no quotations so that we shall have to evaluate them.

The table herewith presents a rough valuation of the sinking fund 4s based upon the reorganization plan as given unofficially:

	App. Value	Amount for S. F. 4s
15% of Market St. Ry. Cons. 5s	75	11.25
50% of 6% Prior Pfd. Stock	60	30.00
5% of 6% 1st Pfd. Stock	50	2.50
10% of 2nd Pfd. Stock	30	3.00
20% of Common Stock	15	3.00
Total		49.75

The results of the above calculation agree very closely with the estimates made by persons fully informed on the reorganization plan. Based upon 1918 earnings and the probable fixed charges of the reorganized company, dividends on the prior preference stock should be earned about twice over. The value of 60 for the stock at which price it yields 10% appears justified, unless earnings should take a decided turn for the worse.

The United Railways Investment Company controls United Railroads of San Francisco through its controlling interest in the California Railway & Power of which United Railroads is a subsidiary.

United Railroads of San Francisco is the principal constituent in United Investment's California investment, and the consummation of the reorganization will clear up the long lived difficulties in connection with it, as the other companies are in good standing. This hsould help the securities of United Railways Investment marketwise, and in time the California properties may yield a good return.

United Railways Investment collateral trust 5s, 1926, are quoted around 75 to yield 10%. The bonds have already had a substantial advance in the past few months, doubtless discounting the effects of the reorganization, but they will very likely sell higher. At present prices they are an attractive semi-investment for income return and offer good prospects for an improved investment position. Total interest charges have been earned more than 1.5 times in each of the past ten years.

The preferred and common stocks are quoted around 31 and 13, respectively. The preferred is a 5% cumulative issue, but has received no cash dividends since 1905, and there are about 60% accumulated in dividends. The preferred earned 3.38% in the year ended June 30, 1918, 4.46% in 1917 and 3.54% in 1916, and has not earned less than 3% in any year since 1909, covering its full dividend in 1911, 1912 and 1913. Perhaps some plan will be worked out to care for dividends in arrears, but is not a probability in the early future.

Viewing the situation broadly, it is likely that the better conditions of the company's California properties and the improving earnings of the Philadelphia Company may move both the preferred and common stocks up a few points, but present prices appear to have pretty much discounted all the improvement in United Railways Investment's affairs which may reasonably be expected for some little time.

Bargain Indicator of Public Utilities

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." We gladly answer all inquiries of yearly subscribers.

	High 1916 to	Low Date	Present Div. Rate	Yield on Recent Price	Dollars Earned Per Share 1915	1916	1917	1918	Recent Price	Earnings Last Fisc. Year on Recent Price	
Ohio Cities Gas	144	31⅞	4	6.90	1.92	2.30	8.70	26.27	58	45.29	Growing equities. Developing Cabin Creek.
Rep. Ry. & Lt. com.	...	...	0%	0.00	2.97	3.55	5.88	0.00	17	34.59	Increase in earnings.
Amer. Pub. Util., com.	...	...	0	0.00	3.83	5.35	7.18	3.86	12	32.16	Results much better.
Brooklyn Rapid Transit	89	18⅞	0	0.00	7.40	7.53	6.97	5.52	31	17.80	Politics a large factor.
Am. W. W. & El., 1st pfd.	...	...	7	11.50	9.57	10.18	12.96	10.73	61	17.59	Showing up well considering handicap.
Cities Services, com.	447	100⅜	§6	1.34	15.27	36.74	60.73	61.67	446	13.82	Excellent oil returns. Essentially an oil prop-
Detroit United Railway	128⅛	80	8	7.80	15.69	23.05	14.50	12.96	103	12.58	Agitation for municipal ownership.
United Ry. Inv. pfd.	39¾	10⅜	0	0.00	3.06	3.54	4.46	3.38	31	10.90	Important developments in connection with California properties.
Phila. Co., com.	47⅝	21⅛	3	7.50	4.44	5.14	6.22	4.26	40	10.65	Earnings improving.
Columbia Gas & Elec.	65	25⅞	4	6.40	.76	2.31	5.87	6.40	63	10.15	Oil properties increase earning capacity.
North American Co.	76	39	5	8.50	6.06	7.26	6.05	5.38	59	9.12	Conditions improve.
Brooklyn Edison	131	87	8	7.80	11.66	11.88	8.81	9.28	102	9.09	Showing up well.
Laclede Gas Lt., com.	104	80	0	0.00	9.24	11.21	8.58	4.53	55	8.22	Conserving resources but equities large.
So. Cal. Edison, com.	89	73	7	7.80	6.71	8.61	8.38	7.55	90	8.38	Earnings hold well.
Montana Power, com.	115	64	5	6.50	3.73	8.52	7.08	6.19	77	8.03	Low cost power—great possibilities.
Mackay Co., com.	91	70	6	7.60	5.28	5.36	6.35	5.87	79	7.43	
Pacific Gas & Elec., com.	69	28¾	5	7.10	10.48	9.10	5.57	5.20	70	7.42	Has turned the corner.
Detroit Edison	149	98	8	6.50	13.70	14.61	10.28	9.08	123	7.38	Company well fortified.
Standard Gas & Elec., pfd.	...	...	‡8	8.70	3.15	5.03	3.70	3.34	46	7.26	Schaffer Oil Merger
Am. Lt. & Trac., com.	...	...	†10	3.88	24.62	25.66	20.98	14.43	257	5.61	Company well fortified.
Twin City Rapid Transit, com.	90	39⅜	0	0.00	6.83	9.22	6.04	2.19	52	4.21	Earnings improved.
Northern States Power, com.	...	...	0	0.00	3.22	5.91	2.11	0.00	70	3.01	High operating costs.
Comm. Pr. Ry. & Lt., com.	...	...	0	0.00	7.42	8.80	5.77	—0.67	28	0.00	Earnings increase.
People's Gas Lt. & Coke	118	35	0	0.00	8.39	5.39	4.44	—3.55	51	0.00	Must have relief.
Third Ave. Ry., com.	68⅛	12⅜	0	0.00	4.19	5.98	—9.78	—2.06	25	0.00	Readjustment of relief imperative.

1918 EARNINGS NOT REPORTED

	High 1916 to	Low Date	Present Div. Rate	Yield on Recent Price	Dollars Earned Per Share 1914	1915	1916	1917	Recent Price	Earnings Last Fisc. Year on Recent Price	
United Light & Ry., com.	...	...	4	8.20	3.74	2.41	4.41	8.68	49	17.71	Prospects good.
Western Union Telegraph	105⅛	76	7	8.00	5.38	10.19	13.59	14.40	88	16.36	Economy and efficiency helps.
Amer. Tel. & Tel.	124⅛	90⅜	8	7.70	9.38	9.52	9.77	9.48	104	9.11	Earnings may decline, but dividend protected.
Pub. Serv. Corp., N. J.	137	82	6	7.00	6.50	7.88	11.77	7.92	86	9.20	New financing.
Amer. Power & Light, com.	...	...	4	5.80	5.24	4.21	6.37	4.57	69	6.63	Showing up well.
Pac. Tel. & Tel., com.	44	17	0	0.00	1.89	0.56	1.25	1.79	30	5.96	Earnings have built up reserves.
Cons. Gas of N. Y.	145	76⅛	7	6.80	8.40	9.29	8.99	7.14	103	6.93	High costs. Present Equities large.

†Also pays 2½% in common stock quarterly. §Also pays regular monthly stock dividend of 1%. ‡Par $50.

Copper Situation Improving

When Copper Was King—Loss of Its High Estate in the War's Aftermath—Outlook Bright for Early Future—Prospects for Copper Stocks

By A. C. HAMILTON

NOTE—The following regarding the copper situation was written after consulting one of the leading authorities on the copper situation in the United States. Modesty forbids his permitting us to publish his name, but he is in a position to know the copper situation as few men do. A good deal of the material was suggested by the authority consulted, but the writer has also drawn upon other sources.

OLD SAINT SWITHIN, who had dampened the copper metal for some months, appears to have removed his presence, and the sun is stated to be spending its radiance upon the copper situation. Only three or four months ago copper could be bought at 15c. or even fractionally lower, but there were no demands worth speaking of.

While many persons were optimistic as to the future, the then present appeared very dark and the break of dawn far away. Still the turn seems to have come sooner than most persons expected. The price of copper is being marked up, large actual and prospective demands are reported, and all sorts of optimistic predictions concerning capacity production and record prices are floating around freely.

Copper and the War.

Due in large measure to improved mining and metallurgical methods, production had been increasing for some years, but the large war demands created an impetus for a record production. The 1918 output of refined primary copper was 2,432,000,000 pounds compared with a pre-war output of about 1,600,000,000 pounds, an increase of more than 50%. The 1918 figure set a new high record, though the 1916 and 1917 products were about equal to it.

During the war period practically all the copper produced was consumed in war activities either by ourselves or by the Allies. Copper in some form or other appeared in practically every article in the war program. The demands pressed so heavily upon the supply that a stringent system of control was fastened on the industry, and private persons found it very difficult to secure the metal excepting for essential war uses. In order to encourage the largest production possible, and at the same time to prevent abnormally high prices, maximum prices were set by the War Industries Board.

The price of 23½c. a pound became effective on September 21, 1917, after a very careful investigation of costs by the Federal Trade Commission. This price remained in effect until July, 1918, when the maximum quotation was raised to 26c. to make provision for increased cost of production. At the end of 1918 all price regulations were removed.

For more than a year previous to the time that the price had been fixed by the Government, the general level of quotations had been above the 26c. level, the average for 1916 being 28.17c., and for the entire 1917 year 29.18c. In 1913, the average price was 15.70c., in 1914, 13.61c., and in 1915, 17.64c.

While there were naturally some complaints about inability to make money on 26c. copper, and there was some agitation for higher prices when the armistice was signed, it is safe to state that all of the important producers were making large profits during the war period. The copper companies may not have been doing very well for a year or so before the war, but conditions created by the war have benefited them to a remarkable degree.

The War's Aftermath

The abnormal conditions which followed the war necessarily resulted in chaos and stagnation for a little time at any rate. The cessation of hostilities suddenly cut off the tremendous war demands, and the United States and Allied Governments were left with considerable stocks on their hands which had been produced on a basis of very high costs.

The companies were also left with very substantial stocks.

According to the Geological Survey, all producing companies had stocks of 180,000,000 pounds of refined copper on hand on January 1, 1919, and 562,000,000 pounds of blister and metal in process. These figures compare with corresponding items of 114,000,000 and 411,000,000 pounds respectively on January 1, 1918. The Government stocks are stated to have been about 100,000,000 pounds. European stocks on January 1 are estimated to have amounted to about 200,000,000 pounds.

It is authoritatively stated that the Government has disposed of its entire stocks and that the Allies and companies are rapidly exhausting their supplies. Current production is running at about the same rate as consumption. Large demands by domestic and foreign countries are in prospect.

A good deal of the late requirements have come from Japan, Sweden, England and France, the first named being an especially large purchaser. Japan is herself a large producer and also an exporter, so that her purchases here have aroused quite a little comment. The demands of the Central Powers are also not to be lost sight of.

After cotton, copper formed the principal article of export to Germany. In 1913 the value of the product shipped amounted to $69,981,000. Germany and Austria are practically denuded of copper. Reports of scraping every possible article containing the metal for use in the war program and the deteriorating character of her ordnance bear this opinion out. Germany is reported to be negotiating for large purchases of the metal. Total exports of copper are showing an upward tendency.

Prices have been advancing. Lake is now around 22½ to 23c and electrolytic around 23c. for immediate delivery. For October, November and December delivery, prices as high as 23c. are stated to have already been paid, and the current market is quoted 23 to 24c.

The Outlook

It may conservatively be stated that the outlook for the copper industry is bright for some time to come. The output will undoubtedly expand gradually to meet the demands, though any substantial increase in the near future may be hindered for a while by the shortage and attitude of labor. According to one authority it may be at least two or three years before the world's mines are again operating at full capacity, and with normal uniformity. A more encouraging estimate is that production will be at capacity in this country in about six months.

Miners' wages vary normally with the prices for refined copper, but at no time since the signing of the armistice did wages fall below the level paid on the basis of 18c copper. A few advances in wages have already been made by individual companies and, while labor conditions may work out satisfactorily, the happy solution is yet to be made. The scarcity of labor and its demands are the fly in the ointment.

Prices for copper will work higher, but it will be some time before they go to the 30c. level so freely predicted for the near future. Like other commodities, the level of copper prices will adjust itself on a new high plane, but about 25c. is a more likely price for several months, and for some little time quotations should generally remain on the lower side of 25c.

The big question for holders of copper stocks is whether the copper companies will be able to make money on 22 to 25c. copper. The answer is emphatically yes. The average cost of producing copper for most of the large producers may liberally be placed at not more than 18c. On 22c. copper this means a margin of profits of about 25%.

In summary it may safely be stated that as conditions become more normal in the world at large, and the mines approximtae closer to their normal production, the copper companies will make money. The better grade coppers have generally shown some good advances from their lows of the year, but have as a class not discounted their full possibilities and prospects. The better grade coppers are therefore among the best purchases in the market for a long pull. Technical market conditions may cause them to fluctuate widely along with the rest of the list, but if held patiently, the coppers should prove very attractive.

Howe Sound Ready for Enlarged Production

Big Copper, Silver and Lead Property Has Completed Its Construction Program

By E. H. GREENACRE

COMPLETION of the Howe Sound Company's elaborate construction campaign which was begun some years ago at its Brittania properties in British Columbia and the recent advancing movement in copper prices, have directed attention to this young "copper giant," a description of which follows:

The Howe Sound Company is a holding corporation owning all of the outstanding stock of the Brittania Mining & Smelting Company, Ltd., which in turn, owns the Brittania Power and the Howe Sound Power companies operating in British Columbia. It also owns 53,800 of the 60,000 shares of El Potosi Mining Company, which in turn owns a large majority of the stock of the Chihuahua Mining Company, operating a silver-lead property located within 20 miles of Chihuahua City, Mexico.

Howe Sound is capitalized at $3,000,000 par value of shares $1, of which 1,984,150 are outstanding. In 1915, a bond issue dated Jan. 1, 1916, amounting to $6,000,000 of 20 year 6% bonds was authorized and $5,380,000 was issued to purchase the El Potosi properties in Mexico. This bond issue is being amortized at the rate of 5% annually and on December 31, 1918, $807,000 of the bonds had been redeemed, leaving $4,573,000 outstanding.

The copper properties comprise 20,638 acres of so-called mineral claims and 4,366 acres of timber licenses located on the shores of Howe Sound, British Columbia. Less than 100 acres have been developed up to this time, the remainder of the large area being unexplored. Ore in sight on which all mining costs (labor, explosives, supplies, power, etc.) have been applied exclusive of tramming to railroad connection for delivery to the flotation mill, amounted to 1,581,641 tons, December 31, 1918, with an average copper content of 3% based on daily samples broken. This "inventory," so to speak, amounts to a gross of nearly 95,000,000 pounds of copper with a probable recovery of 90% and alone is sufficient for nearly five years production based upon the 1918 output.

Reserves in place or probable ore was officially reported on December 31, 1918, at 8,205,755 tons averaging 2% copper, or an indicated gross content of over 300,000,000 pounds.

These figures naturally are subject to more or less adjustment as mining operations continue and while a future reduction in some instances may be in order, yet one must also remember that the potential wealth of the holdings has hardly been scratched.

A property of such magnitude necessarily calls for equipment on a commensurate scale. More than $4,000,000 have been spent on construction work of a permanent nature and equipment (concentrating mill, compressors, plant, power plants, machinery, etc.) is modern and adequate. This work is now practically at an end and the company is in position to begin increasing its output.

Production and net income for the last three years are compared in the accompanying table, after allowing for interest on bonds but before provision of $269,000 annually for their redemp-

tion through sinking fund established for that purpose.

Annual dividend requirements amount to $396,830, from which it appears that 1918 earnings showed very little excess over those figures, although the company's copper and silver output increased approximately 12% and 1500%, respectively.

It will be noted that the net income had an abrupt decline since 1916 (when about 80 cents a share was reported with 41 cents for 1917 and 22 cents for 1918), due to extraordinary operating expenses during the war and for a short period thereafter owing to the satisfactory copper trade conditions early in 1919. While expenses remain high, the company with its big construction campaign out of the way, can now concentrate upon heavy production, present output running from 2,000,000 to 2,500,000 pounds of copper a month with a sprinkling of gold and silver values, the concentrates being shipped in the company's steamship to the Tacoma smelter.

	Copper	Lead	Gold	Silver	Net Income
1916	.... 16,288,835 lbs.		791 oz.	91,905 oz.	$1,574,860.50
1917	..... 16,357,329 lbs.		992 oz.	91,504 oz.	818,625.10
1918	.... 18,322,482 lbs.	10,042,269 lbs.	3045 oz.	3,375,824 oz.	440,023.14

A factor of favorable importance is the "Reserve for Depreciation and Depletion," which has reached the rather liberal amount of $4,409,201.29 within the last three years. Mining companies by their operations are naturally self liquidating and for that reason their usually high dividends represent, in part, a return of capital to the stockholder to allow for the depletion of ore in the mine.

Practically since the beginning of the war, the Canadian and United States Government have allowed mining and oil properties to charge off a reasonable amount of their earnings to ore depletion before accounting the net profits and Howe Sound is a good example of a mining corporation whose dividends are what they purport to be; the depletion of the mine being carried to a reserve account and a proportion of the earnings charged off accordingly. If the reserve were not created, the earnings would have probably averaged $1,500,000 more each year in addition to the net profits reported, according to the methods formerly used by most mining companies.

El Potosi Mine

This subsidiary of the Howe Sound Company is regarded one of the oldest as well as richest silver-lead mines in northern Mexico, with an area of 435 acres. El Potosi has earned and paid dividends for many years and although official figures are not available, the ore reserves are understood to be large.

The startling increase of about 1500% in 1918 silver output over the two previous years was a revelation of what could be expected from the property when released largely from the operating restrictions of abnormal industrial conditions in Mexico. Another significant feature in this connection, is the statement of the Howe Sound management to its stockholders that, "No selective mining was practiced, all of the ore being systematically mined."

El Potosi has been operating at a fairly steady rate so far this year and plans are under way to add to the present equipment; also to build an extension from the company's railroad to the Chihuahua smetler. Operation of this branch will result in the delivery of the company's ore in its own trains directly to the smelter and should effect a substantial saving in transportation expense.

During the troublesome days in Mexico, the company devoted most of its energies to development work in anticipation of the time when conditions became more stabilized. Important disclosures of ore are reported to have been made and while costs in the meantime are said to have doubled, yet the price of silver also nearly kept pace with consistent quotations of above $1 an ounce. No financial statement has been made public but as the Howe Sound Company holds control, it is apparent that El Potosi will receive the necessary assistance, if any should be required, to carry its operating campaign to a successful conclusion.

Schley Interests in Control

Howe Sound's income from the property is dependent, of course, upon dividends paid by El Potosi and if the management followed its British Columbia policy of putting earnings back into the property, El Potosi should be in fairly good shape, both from a mining and financial standpoint. The Howe Sound Company is controlled by the Schley interests of New York, who for ten years or more, steadily plowed earnings back into the property in preparation of the day when it should enter upon a large production career. For that reason, dividends were not started until 1918 when a rate of 20% (par $1) was paid which rate has been maintained.

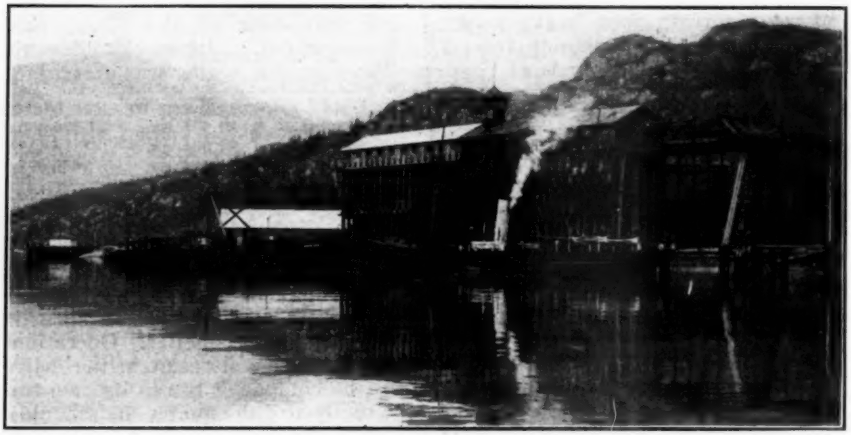
The company suffered some in common with most copper producers during the first part of 1919 when copper sagged to a low price of 13 cents a pound, but with the present quotations around 24 cents, its position has materially improved and should continue to as it can now take advantage of its newly completed equipment, etc., to reduce former operating costs.

The market has been reflecting this situation and the shares have advanced from a low point this year of $3.50 to present quotation of around $4.50. On this level, investment yield is only about 4½% but, as pointed out elsewhere in this article, Howe Sound's dividends do not so truly represent a return of capital like many other mines, as the company has made such generous allowances for "Depreciation and Ore Depletion," this item alone during the last three years being equivalent to approximately $2.25 a share.

The stock sold as high as $9 a share during the big bull market in 1916, since when the company has added about $1,000,000 to plants, buildings and machinery and otherwise added to the productiveness of the Brittania Mine and the other allied properties.

Howe Sound shares naturally are not yet in the investment class, and cannot be recommended to those who are dependent upon a fixed income on their money. The company has emerged from the highly speculative stage, however, and the stock is regarded favorably by those who desire to put some money away in a growing, well-managed property which bids fair at this time to give an excellent account of itself in the future even under more competitive copper conditions than now prevail.

HOWE SOUND COMPANY



Shipping Bins and Company's Steamer at Brittania, B. C.

Mexican Congress Will Act On Sub-Soil Question

American Capital Waits on Action—Movement Is Planned to Improve Industrial Conditions—Outlook Appears More Promising

By SCOTT B. MASON

EDITOR'S NOTE.—Owing to the wide interest manifested in the sub-soil question and its important bearing upon the operations of American oil producers in Mexico, a representative of THE MAGAZINE OF WALL STREET called upon some unusually well informed sources of information (not named below) and the following article is based upon these interviews. The facts presented are believed to be of the highest significance.

DEVELOPMENTS in Mexican legislation during the next several months are expected to lead to a settlement of the vexatious sub-soil question, which has an extremely important bearing upon the operations of oil companies with properties south of the Rio Grande.

The particular point of controversy is contained in Article 27, of the revised Mexican Constitution, which was promulgated on February 5, 1917, and, in part, is as follows:

"The ownership of lands and waters within the limits of the national territory is vested originally in the nation, which has had the right to transmit title thereof to private persons, thereby constituting private property.

"Private property shall not be expropriated except for cause of public utility and by means of indemnification.

"The nation shall have at all times the right to impose on private property such limitations as the public interest may demand as well as the right to regulate the development of natural resources, which are susceptible of appropriation, in order to conserve them and equitably to distribute the public wealth. For this purpose necessary measures shall be taken to divide large landed estates; to develop small landed holdings; to establish new centers of rural population with such lands and waters as may be indispensable to them; to encourage agriculture and to prevent the destruction of natural resources and to protect property from damage detrimental to society. Private property acquired for the said purpose shall be considered as taken for public use. *In the Nation is vested direct ownership of all minerals or substances which in veins, masses, or beds constitute deposits whose nature is different from the components of the land, such as minerals from which metals and metaloids used for industrial purposes are extracted; beds of precious stones, rock salt and salt lakes formed directly by marine waters, products derived from the decomposition of rocks, when their exploitation requires underground work; phosphates which may be used for fertilizers, solid mineral fuels; petroleum and all hydrocarbons—solid, liquid or gaseous.*"

Needed Official Permission

Briefly, it seems that prior to 1884, the Mexican government required that owners of mining and oil properties file notices stating where and when they intended to sink shafts or drill wells and no operations could be undertaken until the desired official permission was received.

In that year, under the administration of President Gonzales, the Mexican Civil Codes were amended to result in an exception in favor of oil producers and this condition existed until 1917, when the above quoted clause with retroactive effect again placed oil in the same class with other minerals.

In addition, a tax (amounting to $1 an acre in United States currency) was levied on all oil acreage held by private owners, whether or not the land was being developed. This measure met with so strong a protest that the Mexican government reduced this to the equivalent of 60 cents an acre and while the rate

may not seem large yet in the cases of those companies holding, for example, 1,000,000 acres, the annual tax payable would amount to $600,000. As only a relatively small percentage of the acreage held is usually under development, the taxation law naturally imposed a substantial increase in operating expenses.

This tax has been paid under protest by the oil men, but when it came to filing notices and receiving official permission to drill for oil, thereby acknowledging the Mexican nation's ownership of the subsoil products, the producers immediately declined to comply with the regulations. Some companies proceeded to drill without getting the permits required, with the result that government troops promptly appeared on the scene and prevented further operations. This, naturally added to the bitterness of the sub-soil ownership controversy and although the United States, Great Britain and France have entered protests against the Mexican government's action, yet, no official change in that government's attitude has since taken place.

On May 1, the Mexican Congress was convened in extra session and present deliberations are expected to be continued into the regular session of that body, which is called for September 1.

Plan Relief.

By that time legislation probably will be introduced for the purpose of promptly and satisfactorily reconciling the individual interests of the oil producers and those of the nation. Just what form the proposed adjustment will take naturally cannot be stated at this time as various bills undoubtedly will be presented and it is unknown at present what modification of the existing points of controversy will meet the final approval of the Mexican Congress; but it is expected that the retroactive features of the present laws will not continue to be operative.

It is felt, however, that a turning point for the better is at hand and such corporations as Mexican Petroleum, Mexican Eagle, Penn-Mex., Pierce Oil, Sinclair, Island Oil and other American, as well as foreign oil concerns, will be benefited.

What may be taken as an indication of the new optimism of United States capital toward the future conditions in Mexico is evidenced by the recent organization of the Mexican International Corporation, with an initial capitalization of $1,125,000.

This company was formed by influential financial interests of New York, who have for their purpose the development and financing of the rich natural resources of Mexico.

The syndicate managers, Harvey D. Gibson, president of the Liberty National Bank and Grayson M. P. Murphy, vice-president of the Guaranty Trust Company of New York, are quoted as follows in announcing the organization of the new corporation:

"For the United States the course of Mexican affairs is particularly vital, and if properly followed should offer unusual opportunities. Not only is Mexico so located to afford a natural field for investment and development by our people, but she has unexploited natural resources, the mere scratching of which would provide the means to clear off all her national debt and place her on a sound financial basis. With a soil capable of producing all the cereal crops and 90 per cent of all the known fruits of the world, with vast tracts of timber, including many varieties of precious hardwoods and dyewoods, with a wide range of climate, with every known mineral and with oil fields which exported more than 63,000,000 barrels in 1918, Mexico needs only a return to normal conditions and the introduction of modern methods and modern machinery to bring her quickly into the front rank of the producing world."

It is learned from usually well informed sources that a general movement is planned to improve American industrial conditions in Mexico as well as to rehabilitate that country. The extent to which this can be done is dependent upon the official protection offered foreign capital, but it is thought that events within the near future may lead to a satisfactory settlement of the objectionable points in the United States industrial and financial relations with Mexico, before the next presidential election in that country in 1920.

New Expansion for Pan-American and Mexican Petroleum

Fuel Oil in England—Better Outlook in Mexico—Current Earnings and Prospects

By C. N. LINKROUM

DEVELOPMENTS in the affairs of the Pan-American Petroleum Company and the Mexican Petroleum Company have recently been of such a favorable character as to indicate that these companies are about to embark upon a new period of expansion.

The organization of the new British Mexican Petroleum Co. with £2,000,000 capitalization means that the companies controlled by Edward L. Doheny have made agreements with the largest British shipping interests to furnish them with several million barrels of oil a year for a minimum period of twenty years. It also means that there will be a big industrial consumption of Mexican Petroleum's products in the United Kingdom.

The organization of this new company has been effected at an especially propitious time, as with the present scarcity of coal in England a big market is awaiting development for the introduction of fuel oil. Not only will the new company take care of the maritime and industrial demand for fuel oil in the British Isles but it is the plan of the new marketing organization to extend its activities throughout Europe and to construct extensive storage facilities at all the important ports. It will also build a refinery in the British Isles and will acquire tank steamers of its own.

The second important factor relates to developments in Mexico, where the attitude of the Washington Government seems to be resulting in a modified policy on the part of Carranza towards the oil interests. It appears that new drilling is to be permitted and the indications are that a new period of development work will be started in the Mexican fields. The fact that new drilling is to be sanctioned is not so important to the Mexican Petroleum Company because that company already has a potential output from the wells which have been drilled largely in excess of the current demand but anything that leads to a more considerate attitude by the Mexican Government to the oil interests should be beneficial.

Pan-American Prospering

The Pan-American Company seems to be placed in a very favorable position as a result of the new British arrangement. That company supplies one-half the capital of the new company and will share in one-half of its profits. The remaining half of the stock will be held by interests representing the Cunard Line, International Mercantile Marine, Harland & Wolff and Andrew Weir & Company. In addition to its direct interests in the earnings of the British marketing organization the Pan-American company will derive a large revenue from the transportation of Mexican Petroleum's products to New York, Southampton and other ports. In addition to this, Pan-American owns a controlling interest in the securities of the Mexican Petroleum Company. It is also interested in extensive oil lands in California and has a subsidiary operating in Brazil.

Pan-American's position in the shipping world, however, is its biggest asset and its extensive fleet of tankers have made possible the consummation of the Doheny plans for a widespread development of the companies in which he is interested. The Pan-American fleet now consists of eighteen tank steamers with a combined carrying capacity of almost 1,000,000 barrels of 50 gallons each.

Most of these tankers are of the most modern construction and were contracted for at prices about one-half the cost of present day constructed vessels. They can be run about as economically as any of the tankships

now afloat and should show a handsome profit on the rates which are likely to prevail for marine transportation for a long time to come.

Pan-American's report for the year 1918 has not yet been issued but it should show a substantial increase in earnings over 1917. This is forecast by the report for the first six months of 1918 which disclosed earnings almost equal to those for the entire twelve months of the previous year. This report showed net earnings after all charges and taxes for the first half of 1918 equivalent to $4.96 a share, or nearly 10% on the $30,494,750 common stock of $50 par value, after deduction of dividends on the $10,500,000 7% preferred stock. This compared with earnings of $5.80 a share on the common stock for the twelve months of 1917. Earnings for the first half year were almost twice the current dividend requirements and should show a further expansion during 1919. The details of the last report are shown in the table.

PAN-AMERICAN'S INCOME REPORT

Income:	6 Mos., '18	12 Mos., '17
Charter Hire	$2,669,915	$4,111,278
Oil Profits	......	401,371
Divs. from Mex. Pete	1,061,400	1,247,800
	$3,731,315	$5,760,449
Expenses	804,202	1,502,219
Depreciation	336,323	414,340
Bond Interest	147,007	107,813
Bond Discount	50,769	145,621
Misc. Interest	20,794	29,992
Income and Excess Profits Taxes	305,000	530,000
Profit	$2,067,220	$3,039,464
Other Income	1,328,875	1,232,264
Net Income	$3,396,095	$4,271,728

Mex. Pete's Big Production

As a result of the new arrangements for supplying liquid fuel to British interests the Mexican Petroleum Company is furnished with a new outlet for its tremendous production. There is practically no limit to the amount of oil which could be supplied by Mexican Petroleum at the present time and its sales should show a steady expansion. The turn in the company's shipments came in May when its exports increased for the first time since November.

In the month of November the company's shipments amounted to 1,615,109 barrels of oil. In December its shipments fell off to 1,404,170 barrels, in January they declined to 1,113,610 barrels, in February to 865,095 barrels, in March to 637,052 barrels and in April to the low point of 529,685 barrels. For the month of May shipments increased to 721,616 barrels and in June showed a further expansion to 1,048,025, although the total shipments from Mexico for that month fell off.

Mexican Petroleum's earnings for the first half of 1918 also showed a big improvement over the previous year, and were actually in excess of the entire year's profits for 1917, amounting to $10.85 a share on the $39,342,400 common stock for the six months compared with $10.23 a share for the full twelve months of 1917. The table shows the company's earnings for the first half of 1918 compared with the full year 1917.

EARNINGS OF MEXICAN PETE

	6 Mos., '18	12 Mos., '17
Income	$12,877,421	$18,121,789
Exp., Taxes, Deprec.	6,761,995	11,906,309
Charges	163,204	608,460
Profits	5,952,222	5,607,020
War Taxes	1,200,000	621,000
Net Earnings	4,752,222	4,986,020

The falling off in shipments did not take place in time to adversely affect the company's earnings for the year 1918 and the report for that year should be quite favorable. The decline in shipments in the early months of this year, however, will hurt the 1919 earnings but there is every reason to look forward to an increasing and profitable business during the latter part of this year and during 1920.

The present low prices and surplus production of heavy crude and fuel oil is a temporary condition and appears to have passed its worst stage. The fuel oil business is still in its infancy and the next few years is likely to witness a widespread development of this end of the oil industry, with Mexican Petroleum receiving its full share of this trade.

Niles-Bement-Pond a Rock-Ribbed Concern

A Prosperous Machine-Maker Strengthened by the War—Powerful Reserve Developed in Spite of Greatly Increased Dividends—Conserving Capital for Reconstruction Business

By ELI S. BLAIR

THE outstanding feature of the Niles-Bement-Pond Company is its tremendous strength, both its actual dividend record and its less obvious potential resources. It paid 3% quarterly in dividends on the common in 1917 and 1918, and with the readjustment to peace, gradually cut down the dividend rate to 2% for the June quarter this year, so as to conserve its cash resources in order to be in a position to take advantage of whatever opportunities may come.

In spite of this fairly high dividend rate, the company now has a total profit and loss surplus of $14,575,650, while the total capitalization, both common and preferred, amounts only to $10,058,700. The net quick assets, amounting on December 31, 1918, to $13,722,438, after allowing par value for the preferred stocks of associated companies, give a value per share of preferred stock of $726, and for the common of $114.66 per share.

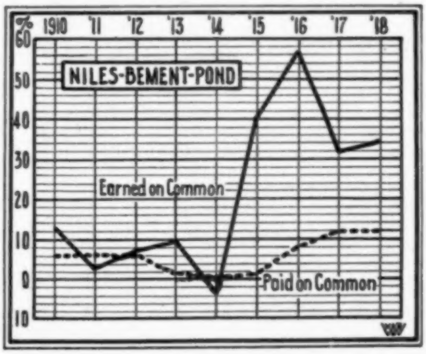
The basis for this great reserve power was laid in the great earnings of 1915-1918, as shown in the accompanying graph. These profits, all over $30 per share of common stock after all allowances for the preferred, were to a large extent stowed away into the surplus, which doubled in four years.

The Value of Depreciation

Apparently, on the face of the earnings reports, the company pursued a heedless policy with respect to depreciation allowances; since, when earnings were running higher than they ever had before in the history of the company, no allowances were made from net profits on this account in the income statements for 1918 or any of the years back to 1915, and 1914 depreciation allowance was only $18,597.

At the same time the depreciation reserve, which does not figure in the income accounts, but is shown in the balance sheets, rose from $2,532,279 in 1914 to $5,155,410 in 1918. This must be assumed to mean that instead of deducting depreciation allowance from the income, it was charged as an operating expense, where it is difficult to trace the amounts set aside.

An interested person who might object to a $2,500,000 depreciation item



in the income account on the ground that it detracted from the amount of the net income applicable to dividends would be unable to object effectively to the inclusion of any amount, no matter how great, for depreciation reserve if figured as an operating expense. Hence the latter method of charging off depreciation seems to have appealed to the conservative directors of the Niles-Bement-Pond Co.

An indication of the extremely cautious policy of the company is given by the fact that the property account in the balance sheet of Dec. 31, 1918, is

valued at $18,429,609, compared with $13,870,377 in 1914. Taking into account the great increase in plant that must have been necessary to secure the greatly enlarged net earnings of the war period, and the tremendous appreciation in the replacement cost of factory buildings and equipment, it is obvious that the 1918 figure is "by no means an exaggeration," as a conservative would say.

Incidentally, it is to be noticed that nowhere in the balance sheets does the item of good-will or any other intangible asset appear, again an illustration of the company's cautious policy.

The company is well supplied with working capital, as this item, composed of inventories, accounts and notes receivable and cash, without counting securities to the amount of $2,592,502, totals, $20,801,786, out of total assets of $41,879,311. Against these figures are $5,496,852 of current liabilities.

In the 1918 balance sheet appears a new item of $4,175,000 for a tax reserve, which is certainly giving a wide margin to the collector of Internal Revenue. At the same time the reserve for completing contracts was increased from $165,876 in 1917 to $446,704. Apparently it is the policy of the company to provide a new kind of reserve for any new emergency, as unusual taxes or cancellation of contracts.

	Total P. & L. Surplus	Depreciation	Depreciation Reserves	Surplus Carried Over
1914.........	$3,565,549	$18,597	$2,532,279	$ 286,355*
1915.........	6,907,141	......	3,070,193	3,339,110
1916.........	10,784,546	......	3,563,306	4,120,571
1917.........	12,652,390	......	4,258,109	1,867,844
1918.........	14,575,649	......	5,155,410	1,923,259

*Deficit—Loss by flood at Hamilton, Ohio, plant.

Property and Capitalization

The Niles-Bement-Pond Company manufactured heavy machinery, such as cranes, hoists, harbor equipment, and the like. It was incorporated in New Jersey on August 11, 1899, absorbing Bement, Mills & Co., of Philadelphia, the Pond Machine Tool Company, of Plainfield, N. J., and the Philadelphia Engineering Co. It controls the Niles Tool Works Co. through ownership of its stock. It has acquired the stock of the Pratt & Whitney Co., of Hartford and of the company of the same name of Canada. It also has plants at Hamilton, Ohio, and Ridgeway, Pa.

It has no funded debt outstanding. Until 1916 it had a small item of $125,000 in bonds of associate companies among its liabilities, but it took advantage of its war-time prosperity to extinguish that fixed charge.

The authorized amount of preferred stock is $6,000,000, of which $1,558,700 is now outstanding. Of the common stock $8,500,000 has been authorized, all of which is outstanding. Both issues have a par value of $100.

The market for both common and preferred stock of the Niles-Bement-Pond Company is inactive. The stock is tightly held by investors. The most recent quotations available show a price for the common of 132 to 134, and for the preferred of 97 to 100. Within a restricted market the prices have gone up since May, when quotations on the common were 117 bid, and 126 asked, and on the preferred 95 bid with no asked price quoted.

The dividend record of the Niles-Bement-Pond Company has been well behind the earnings record, and on only one occasion in recent years, in 1911, did the directors dip into the surplus to pay dividends on the common. The next time the net income was insufficient to pay dividends, in 1914, the dividend was passed, and was not resumed till December 20, 1915, when the huge prosperity of the first of the big war years had had a chance to make itself felt.

Since 1905, the company had been a steady 6% dividend payer on the common, but in March, 1913, the dividend was passed, to be increased in 1916

to 8%, and to 12% in 1917 and 1918. In March of this year, the quarterly dividend was reduced from 3% to 2½, and on June 20 still further to 2%. The company, it seems, does not intend to repeat its previous experiment of maintaining dividend rates irrespective of changed conditions.

Apparently the company intends to conserve its capital as much as possible, without inflicting undue hardship upon the stockholders. It should have good opportunities in the reconstruction period, for its equipment is of vital necessity in the heavy industries.

Besides, with all the talk of building a great merchant marine for the United States, it must not be forgotten that a great fleet must have great and well-equipped harbors, and in this respect the ports of the United States need much improvement. When the agitation of the "greater shipping and better ports" advocates bears fruit, the Niles-Bement-Pond Company, as supplier of much of the equipment of cranes and similar heavy duty machinery, should be in a position to reap its share of the harvest.

To sum up, the preferred stock seems to be a high-grade investment, amply secured by large earnings and surplus. The common stock has such a large equity piled up behind it in surpluses that it is reasonable to expect that sooner or later it should derive advantage from it, either in the form of extra dividends or in some other way. Both stocks have behind them a solid concern with a good record and fine prospects, and an exceedingly sound financial structure.

COINAGE SYSTEM DEVISED IN NEW YORK HOUSE

A New York landmark having a financial interest is the house at 122 William Street, about to be torn down to make way for a four-story office building.

In this historic structure, reputed to be one of the oldest in the city, Alexander Hamilton, our first secretary of the treasury, devised, shortly after the Revolution, a system of coinage to meet the needs of the young republic. This coinage system is the one still in use in the United States.

Upon the completion of its details he outlined the financial policy of the newly-founded nation on a spot not far from this building, his home until he moved northward and established himself in the house at Hamilton Grange, near the site of the New York City College. His speech was delivered on the ground where only a short while ago the present secretary of the treasury, Carter Glass, laid the cornerstone of the new Assay Office, on Wall Street, near Broad.

The "Coinage" House

The old Hamilton house, once a pre-Revolutionary tavern, and recently occupied by a second-hand furniture dealer, would now hardly attract more than an indifferent glance from the casual passer-by. He probably would not realize the possibility of any connection between this dingy place, at present vacant, and the factors responsible for our system of coinage.

During the battle of Golden Hill, George Washington used the house as his headquarters.

Alexander Hamilton

COMPARATIVE RATINGS OF OIL STOCKS

Based on the Earnings and Assets of the Companies, Dividend Prospects, Capitalization, Management, Etc.

Edited by Victor De Villiers

THIRD SERIES—THE N. Y. CURB GROUP. PART I

FOREWORD.—The third series deals with oil securities that are traded in almost daily on the N. Y. Curb, exclusive of the Standard Oil Group (classified in our July 5 issue). Including some of the better known "independents," the list of nearly 100 also contains many of doubtful merit, and the fact that a particular stock is traded on the "Curb" does not necessarily give it a value. Part I deals with established companies, and some of the newer ones whose securities are worthy of consideration. Parts II, 111 and IV will cover the entire list. Attention is directed to the danger surrounding investments in the majority of new issues of uncertain value sold to the public for hundreds of millions, with probable values of 10% of parity. We again refer to "Warning on Oil Promotions" in our June 7 issue.

Name	Par	Capital	Last Reported or Estimated Surplus	Annual Dividend	Approx. Price	3 Yr. Avg. Low	3 Yr. Avg. High	Net Rating	Remarks
Amalgamated Royalty	$1	$1,500,000	New Co.		$ 1.50	1	2	C	Sponsorship favorably regarded.
Atlantic Petroleum	5	7,000,000	No Surp.		3.75	2	4	C	Cosden affiliation.
Boone Oil	5	1,400,000	New Co.		9.50	4	12	D	Good holdings—Colombia and Louisiana.
6% Notes 1921-1923		835,000							
Cities Service (Old)	100	$32,122,400	$27,716,802	$6 & ex.	440.00	200	370	B	Remarkable expansion, but depends on oil prosperity.
Cities Service (B. S.)	...	300,000 sh. as above		60c & ex	44.00	35	40	B	Same as old stock.
Cities Service Pfd.	100	70,139,212			79.00	70	90	A	Good investment.
Cities Service Deb. 7s	...	$28,880,500		$7.00	103.00	100	105	A1	Very strong; growing Co.
Continental Refg.	10	624,123	260,196	$1.20	9.00	9	16	B	Carefully managed.
Cosden & Co. Com.	5	18,011,000	13,677,679	.50	11.00	6	12	B	Most successful of newer independents.
Cosden & Co. Pfd.	5	3,481,110		.35	4.75	4	5	A	Good investment; convertible feature.
Federal Oil Com.	5	3,700,000	Not Pub		3.00	2	7	D	Too much land.

					3.00	2	7	D	Too much land.
General Asphalt Com.	100	9,862,000	3,728,989		85.00	25	80	B	Reconstruction business large.
General Asphalt Pfd.	100	13,054,100		$5.00	128.00	70	115	A	Earnings for 10 years' average, $8.
Glenrock Oil	10	7,946,740			6.00	3	7	C	Midwest Refg. affiliations.
Home Oil & Ref.	10	5,000,000	New Co.		23.00	10	35	D	Conflicting reports current.
Houston Oil Com.	100	25,000,000	607,292		119.00	30	130	D	Rise due largely to technical position.
Houston Oil Pfd.	100	8,947,600							
Invincible Oil	50	14,000,000	New Co.		37.00	35	39	B	Backing of strongest character.
Invincible Oil 6% Notes	...	4,900,000		$6.00	To be issued			A	Well fortified.
Island Oil & Trans.	10	22,500,000			7.50	3	8	C	Ambitious "coming" Mexican concern.
Marland Refining	5	7,745,000		50c & ex.	6.00	6	7	C	Management and connections good.
Mex-Panuco	10	3,000,000	New Co.		17.00	10	17	C	New, but developing along right lines.
Midwest Refining	50	25,558,350	23,532,613	$4 & ex	177.00	100	175	B	Dominates Wyoming; shares seem high.
Merritt Oil Corp.	10	5,400,150	Not Pub.		26.00	19	32	B	Big Muddy, Wyo., production heavy.
Metropolitan Pet.	25	12,000,000	No Sur.		2.75	1	4	D	Future depends largely on lawsuit.
Pennok Oil	10	3,000,000	New Co.	$1.00	15.00	11	16	B	Sponsorship successful people.
Pittsburgh Texas O. G.	5	2,650,000			13.00	9	13	C	Merging with Transcontinental Oil.
Producers & Ref. Corp. Com.	10	10,000,000	7,276,936		8.50	8	8	B	Strong growing company.
Producers & Ref. Pfd.	10	3,000,000		.70	10.00	10	10	A	Well secured.
Salt Creek Prod.	25	20,000,000	New Co.		59.00	40	60	B	Controls entire Salt Creek field.
Sapulpa Oil & Refg.	5	2,000,000	1,000,000	.50	7.50	6	10	C	Conservative & established.
Sinclair Gulf Corp.	...	713,852 sh.	2,245,282		57.00	20	60	C	Ambitious management; shares seem high.
Tropical Oil	25	35,000,000	Not Pub.		17.00	16	22	B	Benedum-Trees enterprise.
Transcontinental Oil	...	2,000,000 sh.	New Co.		48.00	46	48	B	Benedum-Trees merger of successful companies.

EXPLANATION OF RATINGS

Rating "A" means high grade; "B"' a business man's investment; "C" a specvestment for profit; "D" represents a speculation having legitimate possibilities. Ratings are assigned upon a number of factors. The ratings are not an infallible guide, but intended to classify the securities, their status, etc., in order of merit (market price considered).

(To be continued)

Causes and Effects of Small Floating Supplies

Reduced by Income Taxes—Issues which Are Small in Capitalization—How Prices Are Affected

By A. C. LAURENCE

IN all periods of intense bullish activity in the stock market speculative attention is concentrated from time to time, on certain feature stocks. The markets of the last six months have been notable in this respect. With the possible exception of the war markets of 1915 and 1916 there has never been a greater number of individual stocks to register spectacular advances.

What is the reason? Is there any unusual influence at work in this bull market that has not existed in others? Yes.

How Taxation Affects Floating Supply

It is the taxation of incomes. That has introduced entirely new phenomena into the stock market. For the first time in history, taxation has worked against the sale of stocks by large holders who, under ordinary circumstances would have taken profits on advances that afforded them far smaller gross gains have been made possible by the rise of the last six months. And since the normal increase in the floating supply of stocks has failed to materialize at a time when there has been a broader public demand than ever before known, the price scale has tipped almost irresistibly upward. For supply and demand are the ultimate factors that govern the course of stock prices.

Let us take an example of how this question of taxation works out.

Crucible Steel sold in January at a low of 52½, and as late as April could have been bought under 70. During that four months period there was undoubtedly heavy accumulation of the stock by large investors, who recognized that it was selling well below its intrinsic value, and that, everything considered, it was an attractive purchase for a long pull.

So Mr. Wealthy Investor bought 10,000 shares of Crucible which he obtained at an average price of say 65. He figured that as a relatively low price and reckoned on the prospect of an early dividend return.

When Crucible Steel started to advance, Mr. Wealthy Investor sat back with a satisfied smile but he did not get excited, nor did he bring out paper and pencil to figure up his profits. Since his income was in excess of $100,000, he knew that he would be obliged to pay surtaxes on all stock market profits above that. For him, these surtaxes would begin at 48% and increase to 65% provided his income exceeded $1,000,000. He argued this way:

"If Crucible goes up to 100 soon, I shall have a profit of 35 points or $350,000. To sell then would make me subject to a surtax of 63% or $220,500, not to mention the normal tax of 8%. In short I would have to give the Government at least $250,000, leaving me a net profit of but $100,000. Now I believe there is an equal chance that Crucible will still be selling at 100 or better a few years from now and that taxation will be materially reduced. I shall wait and take my profits then."

Even when Crucible went to 145, at which point it showed our Mr. W. I. an additional $450,000 profit, he might have been reluctant to sell, though not so reluctant as he was when his stock was selling at 100.

What is assumed to have taken place in this case serves as a somewhat extreme illustration of what has actually taken place in hundreds of instances. From that it is evident why the bulls have been so successful in elevating their pet specialties. In bidding them up they have had to encounter only a very limited supply for sale.

Effect of Small Capitalization

It is noteworthy that most of the stocks which have had spectacular advances recently, are those of which the floating supply is bound to be small under any circumstances, because of small capitalization. Herewith is appended a table of such stocks. Compare any of these with an issue like United States Steel, with a capitalization of $508,000,000 common stock, or 5,080,000 shares outstanding, and it is at once evident that the weight the market must lift is much lighter.

Every stock in this list with the exception of Baldwin Locomotive has sold this year far above its 1915 or 1916 record price. United States Steel on the other hand is far behind its 1917 high record of 136⅝ and its 1916 high of 129¾. Yet Steel is generally assumed to represent the sum total of prosperity in this country, as that prosperity is reflected in the stock market, to a far greater degree than any other stock. It may be argued with some reason that Steel is usually behind the rest of the market, but the comparison is important nevertheless, the more so because in percentage of advance Steel is further behind the market than it was in the other years.

That small capitalization has aided bull operations before was strikingly demonstrated in the bull markets of 1915 and 1916, when many of the same stocks shown here, soared to ridiculous heights, only to crumple up suddenly and drop like plummets. By its own momentum the bear market of 1917 forced prices to the opposite extreme.

MARKET CHARACTERISTICS OF SPECULATIVE FAVORITES.

	No Shares Outstanding	1915 H.	1915 L.	1916 H.	1916 L.	1917 H.	1917 L.	1918 H.	1918 L.	1919 H.	1919 L.
Crucible Steel..	250,000	109⅞	18¼	99½	50¼	91⅞	45¾	74⅞	52	149	52¼
Baldwin Loco. ..	200,000	154½	26⅝	118⅝	52	76½	43	101¾	56⅛	124½	64⅞
Am. Woolen....	200,000	57½	15¾	58⅞	37	58¾	41	60⅞	44⅝	137	45⅛
U. S. Rubber ..	360,000	74¾	44	70¾	47¾	67	45	80½	51	136	73
Am. H. & L. Pfd	130,000	59½	19¾	84⅞	45	75	43¼	94⅞	50	136¾	40
Mex. Petroleum	*393,424	124½	51	129⅝	88⅝	106½	67	194	79	204¼	162¼
Untd. Cig. St..	271,620	....	....	105¾	90	127⅞	81½	108¾	83¾	201	107¼
Stromb. Carb. ...	50,000	....	....	45½	38	35	28	36½	21	104	27

* Of which Pan American Petroleum owns 175,000 shares, reducing the amount outstanding in the hands of the public, to 218,424 shares.

Stocks can go too low just as easily as they can go too high, and the shrewd investor is the one who can take advantage of both situations.

Speculative operators, when they judged a bull market was under way this year, singled out the stocks in which they could operate to the best advantage because of their inside information about the technical market position of the stocks. These stocks advanced slowly until the market was pretty well cleaned of floating supplies. Then a rapid and spectacular advance began which was calculated to induce the public to become enthusiastic.

There are investors of a peculiar type, wealthy ones too, who insist on "buying on pessimism and selling on optimism." But whether or not they foresaw it, this is one time when these financial owls are in a predicament. So the speculators have had things pretty much their own way. With the floating supply of stocks practically cornered and the public eager to buy, it has been easy to bid stocks of this class up almost to any old price.

Present Situation Compared With War Boom

It is interesting to compare the present situation with that existing in 1915 and 1916. The bull markets of those years depended on the imagination of the public, excited to an extravagant pitch by the unprecedented war conditions, to sustain prices long after they had exceeded intrinsic values. The public then was buying because it was in a state of mind to credit

the most amazing predictions. It had acquired sudden wealth and was in a humor to use it in the stock market.

Hard cold figures have displaced emotion as the big influence on the stocks that have had big advances and those figures relate to taxes. There is a shortage in the floating supply of stocks, regardless of the demand, because certain people are not selling, nor do they expect to sell even at considerably higher prices than now prevail unless they can find a way to escape the tax collector.

In this connection, some students of the market are of the opinion that the reaction in prices, which by all precedent is bound to follow a period of excessive speculation, will be less violent than on previous occasions. Their reasoning is that the large investors will probably keep their stocks locked up for several years, thus preventing the floating supply from being increased to the extent that it otherwise would be. It may be the same old story of a sharp collapse, although some are inclined to look for more frequent and violent recoveries than those which generally punctuate a bear market.

Credit Inflation

Besides, this bull market like many others, has been based on credit inflation. The collateral value of Liberty Bonds, to take only one example, has probably been utilized to the extent of hundreds of millions of dollars by small purchasers. When stocks go down these people will sell. And the big buyers do not as a rule put in their supporting orders until prices have had an important decline.

What is the moral? Because of the new conditions, it is unusually difficult to judge the climax of the bull market; but every bull market must have such a climax eventually and this is a time when investors who have large profits in stocks which have had sensational advances, should be satisfied to take them.

NEW YORK'S FINANCIAL SKYLINE BRISTLES WITH HIGH STRUCTURES

Liberty Tower or Sinclair Building — Equitable Building — Singer Building — City Investment Building

READERS' ROUND TABLE

[Subscribers are invited to contribute to the Readers' Round Table Department. From our readers we receive many valuable suggestions and interesting ideas, and have inaugurated this feature in order that they may present their problems and their thoughts to their fellow-readers. We believe that this interchange of ideas will prove to the advantage of all. Send in your manuscript addressed to Editor, Readers' Round Table. No names will be used unless permission is given.—*Editor.*]

INVESTING $10,000

Editor of THE MAGAZINE OF WALL STREET:

A conservative business man recently asked my advice about investing $10,000 for income. After considering the matter I wrote him the following letter, which may also interest some of your readers.—J. S.

In investing your funds you should bear in mind first of all safety of principal and income. The list which is given below has been selected because of the belief that dividends are very well secured, and because the interest on the bonds mentioned has been earned by a splendid margin. Due to prevalent conditions in the market it is possible to purchase such high grade investments as these mentioned below to obtain an exceptionally high yield, considering the factors of safety of both principal and income.

The list below shows approximate prices and yields obtainable:

	Approx. Price	Yield
New York Central convertible debenture 5s, 1935	99	6.12%
Atchison common	101½	5.91%
Great Northern preferred	96	7.29%
Bethlehem Steel 8% preferred	112	7.14%
Virginia Carolina Chemical preferred (8%)	115	6.86%
Average Yield		6.66%

The New York Central convertible debenture 6s of 1935 are convertible at 105 into the common stock at any time prior to May 1, 1925, and, although not a mortgage, are a direct obligation of the company. Considering the excellent credit to which the New York Central is entitled, together with the very attractive interest rate, these debentures are an excellent investment purely as bonds, regardless of the convertible feature, which adds splendid speculative possibilities to it.

Atchison has been selected because it is one of the best managed railroad systems in the country; because it has a diversified traffic; because of its ownership of valuable oil lands from which much is expected; and because the 6% dividend which it has paid for about the past ten years has always been earned with an ample margin to spare. By the guarantee of the Government, Atchison is entitled to receive as compensation an amount equal to 12.56% on the common stock, twice the present dividend requirement. As recently as 1914 Atchison sold as high as 114¼.

Great Northern preferred sold as high as 134¾ in 1914, and at present prices is down about forty points from that high. Under present conditions of Government control of the roads, Great Northern preferred is assured of compensation equal to 11.32% on its stock. For a great many years the 7% dividend on the stock has regularly been paid, with earnings always showing a liberal margin to spare above the dividend requirement. There never has been any real question regarding the payment of Great Northern preferred dividends, because they are very well secured.

When Bethlehem Steel 8% preferred stock was created a year or so ago it was placed ahead of the old 7% non-cumulative preferred stock in the matter of dividends, and was entitled to share equally the assets with the old preferrred in the event of liquidation. In 1917 the dividend of 8% on the new preferred was earned about eleven times over, and in 1918 this dividend was earned more than six times over. Because of the large surplus earned above these dividend requirements there has been left a large surplus upon which Bethlehem Steel could draw in lean years.

Virginia Carolina Chemical has regularly paid its 8% dividend since organization, with the exception of 1915, in November, when a scrip dividend was declared. This dividend was paid in scrip because of the disturbance immediately following the outbreak of the war, which necessitated the conservation of cash resources. The annual report of the company in 1915, however, revealed a balance of 18.57% earned on the preferred. The company has always earned its preferred dividend by a comfortable margin, and during the past few years has made a splendid record, as is indicated by the following earnings on the preferred: 41.90% in 1918; 23.27% in 1917; 22.53% in 1916; and 18.57% in 1915.

COULDN'T GET ALONG WITHOUT IT

I couldn't get along without your magazine and any other investor who has not become acquainted with it does not realize what he is missing.

It is a valuable aid in making commitments. On April 17 I made a small investment, on the strength of an article in the current issue, and on May 9 the investment gave me a profit of $315.74 net.

I have recommended the magazine to my friends and will gladly do so again whenever the opportunity occurs.—C. E. K.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

"Big Four" Bond Issue.

A banking syndicate composed of J. P. Morgan & Co., First National Bank, National City Co., and Guaranty Trust Co., are offering $15,000,000 10-year 6% refunding and improvement bonds, due July 1, 1929, at 98 and interest to yield 6¼%.

These bonds will be part of a total authorized issue of $20,000,000 series "A" bonds to be issued under the refunding and improvement mortgage, dated July 27, 1919, which will be a direct lien on 1,827 miles of railroad owned and on the company's interest in 568 miles of railroad operated under lease, contract or trackage rights.

Boston & Maine Suit Not Settled.

Case of the Hampden R. R., which brought suit against the Boston & Maine for an original claim of $3,798,000 for alleged breach of contract, has not been finally disposed of. The Massachusetts Supreme Judicial Court has now withdrawn its recent ruling against the Hampden.

Buffalo & Susquehanna Earnings.

May gross, 1919, $161,443, 1918, $157,899; Def. Aft. Tax, $27,671, $1,481; Net oper. def., $30,821, *$38,242; 5 mos. gross, $828,252, $901,540; Net oper, def., $154,537, $233,657.

* Surplus.

Canadian Northern Sells Notes.

All of the $10,000,000 6% collateral trust notes of the company offered by W. A. Read & Co. have been sold.

Chicago, Milwaukee & St. Paul Finds Oil.

The shares of the company have established further gains on the report that oil has been discovered on its lands in Washington. It is understood the company has been picking locations for oil rigs for the past six months and that drilling has been going on for some time.

Chicago, Rock Island & Pacific Dividends.

In connection with the declaration of the regular dividends on the Rock Island 7% and 6% preferred issued after considerable delay, it is understood the Railroad Administration receded from its original stand and approved the declaration in spite of the fact that the company has not yet signed the compensation contract.

The company still maintains it is entitled to extra compensation above the standard return, $16,000,000.

Erie R. R. Earnings Improve

May, 1919, marked a turning point in operating results of the road, which reported net operating railway income of $654,812, against net operating deficit of $27,730 for May, 1918, a gain of $682,542.

Hocking Valley Ry. Surplus Decline.

Annual report of the company for the year ended Dec. 31, 1918, shows surplus after taxes and charges of $1,359,829 or $12.36 a share on the $11,000,000 stock. In 1917 the surplus was $17.58 a share.

The Federal operating account showed net income of $2,592,024, which compares

with the Federal compensation of $2,637,-167, or a loss for the R. R. Administration of $45,143.

The corporate income account of the company for the year ended Dec. 31, 1918, compares:

Fed. Compens., 1918, $2,637,167, 1917, $3,314,725; Exp. and tax, $82,707, $219,947; Balance, $2,554,460, $3,094,778; Other inc., $77,283, $46,329; Total inc., $2,631,743, $3,141,-107; Interest, $1,271,914, $1,207,195; Balance, $1,359,829, $1,933,912; Dividends, $439,980, $604,972, Surplus, $919,849, $1,328,940.

Long Island R. R. Traffic

The road, which, according to Pres. Peters, has the densest passenger traffic of any under Federal control has been having troubles due to the extraordinary increase of travel and inability to get extra facilities to meet it.

"During the war and since demobilization," he said, "this road has moved 4,-500,000 soldiers to and from the camps on Long Island, besides carrying ten of thousands of visitirs. At present we are handling from 10,000 to 20,000 troops daily. The regular business of the road has grown so rapidly that there are 5,000 more persons which means several additional trains of which means several additional trans of eight cars morning and evening. Between July 3 and July 7, Mr. Peters said, the road broke all records by carrying 1,433,600 passengers. This is 28% increase over 1918."

N. Y., N. H. & H. Traffic Gains

Commuter travel which has drifted away from the Boston Elevated to the steam roads since the raise in fares to 10 cents has not reached its peak.

There was another large increase on the New Haven on July 14, and travel July 15 was still heavier. It is expected the gain may exceed that of July 11, when the increase was 10,700 over normal.

Pennsylvania R. R. New Route

Special Agent Harlet, of the company, has said the rapid approach of demobilization meant possibility of opening soon Hell Gate Bridge route, built at cost of $30,-000,000 and connecting Pennsylvania's system on East River, Manhattan and Hudson tubes with Southwestern terminus of New York, New Haven & Hartford. The route was completed in 1917 and never used. It offers direct connection for New England traffic with the West.

Southern Pacific Income Report

Company reports for the year ended Dec. 31, 1918, net income after taxes and charges of $28,684,916, equal to $10.38 a share, on the $276,442,965 stock, compared with $17.65 a share in 1917 on $272,823,400 stock then outstanding.

The above earnings are after deducting, under instructions from the I. C. Commission, a net debit balance of $2,533,000 from settlement of revenue and expenses for the period prior to Jan. 1, 1918, which is really a charge against profit and loss surplus. Crediting net income with this, the earnings would have been $11.29 a share.

The Railroad Administration made a profit over rental of $7,757,935.

Southern Ry. Builds New Yard

An expenditure of $4,000,000 will be made at Birmingham by the road in the next 12 months in constructing one of the largest and most complete railroad yards in the south.

INDUSTRIALS

Allis-Chalmers Surplus

Net for 5 months to May 31, 1919, $1,-621,982. The surplus account of the company, as of May 31, 1919, shows:

Surplus, Jan. 1, 1919, $8,874,634; Profits to May 31, 1919, $1,621,982; Balance, $10,-496,616; Pref. dividends (5%) $809,170 and Surplus, $9,687,446.

Comparing this with the first quarter's earnings of $996,024 shows that the company earned $625,958 for the two months of May and June, 1919. This is after all charges and taxes, and is at the rate of about $10 per share on the common stock.

American Beet Sugar Campaign.

The company plans to start its California campaign Aug. 9, with the factory at Oxnard, the Chino factory remaining closed as last year. While the weather caused a late start in the campaign, acreage in California shows 30% increase of 1918, and a corresponding increase in production of beets is expected. The California campaign lasts 10 days and usually starts in July.

American Bosch Magneto Shipments

The corporation shipped 4,000 magnetos in June, and will ship about 18,000 in July. Of this, less than 500 went to truck manufacturers, whereas under normal conditions they require about 5,000 a month. Inasmuch as the truck business is on the road to improvement, it is anticipated that the company will be shipping something like 25,000 magnetos before the end of 1919. At the present rate of production (18,000 per month) the earnings are approximately $20 a share on the common. This does not take into account the repair business, which is increasing rapidly.

American Hide & Leather Prosperous

During the last quarter of its fiscal year, ended June 30, the company enjoyed one of the most prosperous periods in its history. Report for the quarter, to be issued in about a fortnight, will show surplus of approximately $800,000, equal to about $6.20 a share on the $16,000,000 preferred stock, after allowing for bond interest, sinking fund, etc. This compares with surplus earnings for the previous quarter of $614,627, or $4.73 a share.

American Locomotive Orders

The company has received the following orders for export shipment: Java State Rys. 12 99-ton Mallet engines; Corboda Ceneral Railroad of Argentina, 6 83-ton Mikado engines; Imperial Rys. of Chili, 2 42-ton Prairie type engines.

American Steel Foundries 7% Issue

John Burnham & Co., of Chicago, and Richardson, Hill & Co., of Boston, have announced that the syndicate which they formed to sell the new issue of 7% cumulative preferred stock of this company has sold the issue.

American Sugar at Capacity

All six refineries of the company and the Franklin Sugar Refining Co. continue to operate at capacity. This includes the reserve refinery in Philadelphia, which was started to take over its export business and permit the other five refineries to work on domestic orders.

American Woolen's Big Business

The company has all the business on its books it can possibly handle this year and is sold up to 1920. On account of the four months' strike it is far behind on deliveries, and will be turning out goods this winter that should have come through in the fall.

The heavyweight goods opening which ordinarily occur in July will be late this year and will be a minor affair. The company will be able to sell to whom it chooses and should be able to get fancy quotations for the restricted volume of fabrics which it will undertake to manufacture. The second six months of the year will be the company's big earning period.

Barrett Disposes of Congoleum

The company has disposed of its Congoleum department which has been handling the floor covering end of its business since 1913. A new company has been formed in which the Barrett Co. holds an issue of $1,000,000 second preferred 8% stock, in addition to which the parent company received a cash consideration.

Bethlehem Shipbuilding Increasing

Ships are being built faster than ever at the corporation Fore River plant and the outlook is for a record production this year. Thirty-one vessels have been delivered and contracts call for 67 more to be finished.

Forty million dollars' worth of ships have been delivered so far in 1919, and in the rest of the year vessels valued at $40,000,000 are expected to be completed.

Bethlehem Steel Refuses Wage Demand.

Workers in the open-hearth department of the company's plant at Steelton, Pa., demand an increase of 20 cents an hour.

Officials of the company's Steelton plant have announced that the employes' demand of an hourly wage increase of 20 cents has been refused.

Carnegie Steel to Build Four Mills.

Preparations are being made by the company to erect four additional mills for the McDonald plant planned when the works were designed several years ago.

Blast furnace No. 4 of the company has resumed operations after a three months' shutdown for repairs. Stack No. 8, just rebuilt, increasing the capacity from 350 to 500 tons daily, will blow in it two weeks. This will increase the monthly output of pig iron 25,000 tons.

Central Leather Earnings.

Earnings of the company for the past three months have been steadily increasing, due to the rapid rise in all leather commodities, and the lifting of war restrictions.

Corn Products Operating One-Third Plants

The plants of the company at Granite City, Ill., and Edgewater, N. J., are still operating at full capacity, although a strike for a closed shop has resulted in the shutting down of the company's plants at Argo, Ill., and Pekin, Ill. This leaves one-third of the total manufacturing capacity of the company still in operation.

Crucible Steel's Large Orders

Director Childs, of the company, and president of Barrett Co., says that the principal reason for the advance in Crucible Steel stock was the realization of actual value, as the stock had been selling under its intrinsic worth for some time. He added that the company had large orders, both domestic and foreign. He and his associates, he said, had been buyers of the stock recently.

Cuba Cane Arraigned.

It has been learned in authoritative quarters that the Goethals report of the property investigation contains a strong arraignment of the financing methods used at the time the company was organized. What is particularly scored was the plan of giving common stock of the new company as a bonus for purchases of the preferred. Officials of the company refuse to discuss this phase of the report, declaring that nothing further than the summary published can be given out. This summary failed to make any reference to the criticism above mentioned.

General Cigar Increases Dividend.

Directors have declared a quarterly dividend of $1.50 a share on the common stock, payable Aug. 1, 1919, to stockholders of record July 24. Three months ago $1 was paid.

General Electric Pays Dividends.

The holders of fractional shares of stock of record, June 7, received on July 15 a check from the Farmer's Loan & Trust Co. on account of 2% stock dividend at the rate of $166 a full share, the market price for said stock on June 7, 1919, in accordance with the terms of circular letter of May 16, 1919.

General Motors Construction.

Building permits have been issued at St. Louis for the construction of buildings costing $2,500,000 for the company. About $750,000 has been paid for a 3,000 by 2,500 foot site. The buildings will cost $2,500,000, the machinery $1,500,000 and improvements $250,000. The $1,500,000 mechanical equipment for manufacturing has been ordered to produce Chevrolet and Buick motor cars. Architects and engineers' plans provide for the construction of additional units to double the $5,000,000 plant in the next twelve months.

Goodyear's New Issue.

Cyrus Pierce & Co., Los Angeles and San Francisco, are offering at $100 per

share $66,000,000 7% Cumulatve Preferred (a. & d.) stock. Par $100.

International Harvester Abroad.

The company expects soon to resume possession of its plants at Croix, near Lille, France, and at Neuse, Germany, which the German Government kept in good condition during the war and used entirely for their regular products.

The company's export business is heavy, but resumption of exports on a large scale to Central Europe is not expected this year because most of the crop season is over. Another reason is the depletion of European livestock which supplied small farmers with notive power for their machinery.

Jones Tea Prospects.

The recent advance in its shares is in keeping with the increasing earnings. For the first four months of 1919 the estimated net was $240,000,000. The estimated earnings for May and June were $180,000. July will show up even better; the profits will probably exceed $100.000. This growth is the result of large domestic business, but there are excellent opportunities in the foreign field, and the export business of the company promises to be a big factor in future earnings.

Keystone Tire & Rubber Retail Stores.

The company reports:

Gross sales for 6 months, June 30, 1919, $5,570,120, for 6 months, June 30, 1918, $3,000,672; Net Prof. before taxes, 6 months June 30, 1919, $125,935, 6 months June 30, 1918, $442,404.

At present the company operates 129 subsidiaries, and so far in 1919 cash retail business was $50,000 a day. From funds from the sale of new stock recently authorized the company contemplates great expansion. It plans to have developed by July 1, 1920, 250 retail selling organizations under full control of the parent company.

Maxwell Motor Deliveries Behind.

The Maxwell and Chalmers companies are together 34,000 cars behind orders, Maxwell being 27,000 and Chalmers 7,000 in arrears.

Present production is 200 daily for Maxwell and 660 for Chalmers or at the annual rate of 80,000 cars.

National Cloak & Suit Shows Increase.

The company has put into effect a new bonus plan, by which $73,458 has been distributed among 1,872 of the company's 3,000 employes for the efficient work up to June 30. The plan calls for quarterly payments.

The latest reports of the company's operations show big increases compared with similar reports for last year. June's business was 30% better than June, 1918.

Quaker Oats Earnings High.

Lee, Higginson & Co., the Merchants Loan & Trust Co., and the Illinois Trust & Savings Bank, are offering $7,200,000 6% cumulative preferred stock of the company, par $100, at 99 and dividend. Earnings are said to be six times the dividend requirements.

Republic Iron & Steel Surplus.

Surplus of the company available for dividends for the 6 months ended June 30, 1919, amounted to $1,564,872, equal to $2.53 a share on the common stock after deduction of Preferred dividends, compared with $18.94 a share in the same period of 1918.

Savage Arms May Cut Melon Later

Pres. Wright, of the corporation, in discussing reports of a possible "melon" to stockholders, said that while it may be possible to make some distribution of profits later in the year, the report of a plan for offering shareholders $100 a share for 25% of their holdings is without foundation, nor are any other plans for distribution of profits under consideration.

Commissioner Bendheim of the Department of Labor has been unable to effect settlement of the strike of employees at the company's Sharon, Pa., plant. The men walked out when the company adopted a piecework system. The company is endeavoring to maintain operations by hiring other employees.

Sears-Roebuck Plant

The company has purchased 40 acres of land at Phila., where a $2,000,000 distributing plant will be erected.

Sloss-Sheffield Notes.

A banking syndicate composed of Lehman Bros. and Goldman, Sachs & Co., are offering $6,000,000 10-year 6% sinking fund notes of the company, maturing Aug. 1, 1929, at 97¼ and interest, to yield 66.30%.

Underwood Plant Closed by Strike.

With 850 of its 4,100 employes out on strike the company closed its factory until July 31. In a statement by Manager Rice, it was said all hourly rated employes who returned to work July 31 and continued with the company would be given half pay for the shutdown period.

U. S. Steel—Gary or Unions.

Judge Gary, chairman of the corporation, has declared he did not believe the movement now under way to unionize the employes of the steel company and bring about a general strike will meet success.

"The employes," he said, "have received and will continue to receive better treatment and better conditions of employment from the Steel Corporation under its principles and policies pertaining to labor than they could expect through the efforts of labor unions."

Willys-Overland Cuts Profit Sharing.

The company has abandoned its profit-sharing plan with its employes for the quarter ending June 30, according to a statement by officials. The statement adds that employes who remain at work may hope to share in the October division of profits. The statement reads:

"Owing to the unjust strike in our plant, instead of making a profit in the quarter ending June 30, we sustained a loss."

Wilson & Co. Sells to Austin, Nichols.

Pres. Wilson, of the company, has announced details of the sale of the concern's fish and vegetable packing business, including interest in fish and vegetable canneries to Austin, Nichols & Co., for cash. Every holder of 10 shares of Wilson stock may subscribe to four shares of Austin, Nichols stock at $20 per share. Bankers are forming a new $35,000,000 corporation to take over Austin, Nichols & Co. and Wilson canning interests. Wilson's 200,000 shares of common would call for 80,000 shares in new company, or $2,000,000. President Balfe, of Austin, Nichols & Co., confirmed the statement and added the properties to be acquired include the Fame Canning Co. and Wilson Fisheries Co. He said stock to finance the purchase would be underwritten by syndicate headed by Guaranty Trust, Chase Securities, Hallgarten & Co., and William Salomon & Co.

PUBLIC UTILITIES

A. T. & T. Offers to Exchange Stock.

Company has made an offer to the minority shareholders of the Mountain States Telephone & Telegraph Co., for an exchange of stock. American Telephone owns 70% of the Mountain States stock. It is proposed to exchange 8% American Telephone stock on the basis of $100 par for Mountain States 7% stock, and $114.28 for that of the American Co. This exchange gives Mountain States holders a dividend on the American Company's stock on a 7% basis. The offer expires Sept. 30.

Boston Elevated Strike Loss

The four-day strike of the Boston Elevated carmen caused a loss in fare receipts estimated at $350,000. As wages of the strikers for the four days would have amounted to $160,000, the net loss to the company is $190,000. This is not a loss borne by the company, as the theory of the public control act is that eventually the amount will be made up from passenger revenue even if necessary to have resource to the State treasury.

Judge Pierce of the Supreme Court, after the hearing in the suit of the City of Boston vs. Treasurer Burrill and trustees of the company refused to issue a temporary injunction to restrain the treasurer from paying over to the trustees, $4,000,000.

B. R. T. Receivership for Surface Lines.

Judge Julius M. Mayer in the Federal District Court, extended the B. R. T. receivership so as to place Lindley M. Garrison, the receiver, in charge of the surface railways in Brooklyn. Previously, the receivership had covered only the Brooklyn Rapid Transit Co. and the elevated and subway lines of that system.

The extension was made to cover the Brooklyn Heights R. R. Co., the Nassau Electric R. R. Co., the Brooklyn, Queens County & Suburban R. R., and the Coney Island & Brooklyn R. R. Co., which through leases virtually controls all B. R. T. surface lines in Brooklyn.

Chicago Elevated Costs and Revenues.

Pres. Budd has stated that the revenue in the first three months of the six cent fare increased $248,849 over the corresponding months of previous years, while operating expenses increased $588,351.

Chicago Surface Lines Delay Improvements.

The lack of money and the difficulty in disposing of bonds will prevent the company this year carrying out the ordinance provision which requires 23 miles of track extensions every year.

Consolidated Gas, New York, Hearings Held Up.

Hearings in the case of the company in its efforts to invalidate the 80-cent gas law, which were to have started July 15, were held up by the city authorities who received a stay from Federal Judge Manton. The stay will hold up proceedings pending an appeal by the city authorities to the United States Supreme Court on the right of the city to intervene in the case. Ex-Judge William Ranson, counsel for the Consolidated Gas Co., stated that an effort would be made immediately to vacate the stay.

Detroit Edison Co. Earnings.

June gross, 1919, $1,185,753, 1918, $1,011,619; Net after taxes, $322,422, $256,181; Surp. after charges, $183,363, $149,700; 6 months gross, $7,837,060, $6,692,832; Net after taxes, $2,210,523, $1,855,424; Surp. after charges, $1,384,782, $1,250,635.

Eastern Power & Light Collateral Sold.

Collateral securing this company's Five Year 5% Convertible bonds dated March 1, 1913, was sold at public auction on July 15 to the bond and note holders' committee for $698,250.

New York Rys. Transfer Limits.

To limit the distance which surface car passengers may ride for 5-cent fares over any of the 14 free transfer points to continue after Aug. 1, Receiver Hedges has issued an order definitely restricting trans-

fer rides on the New York Railways lines in Manhattan.

As the 14 transfer points were established by order of the P. S. Commission without allowing the company right to limit the length of ride on either line used by the transferring passenger, court proceedings to enjoin the receiver from enforcing his order are expected.

Increased cost of labor and high operating expenses are the principal reasons for the present financial status of the street railways, Receiver Hedges of the company told the Federal Electric Commission.

As a result of these increases, during the six months ended March 31, 1919, the company's net earnings were only $201,265.

"During that period," he said, "the company failed to pay its rental and failed to pay the interest on an underlying mortgage on roads actually owned by it by over $54,000."

New York Telephone Asks Higher Rates

Company and the Delaware & Atlantic Telegraph & Telephone Co., operating in New Jersey, ask of N. J. P. U. Commission increase in rates when lines are returned to them by the Government, because of increased cost of labor and material.

Public Service Gas Rate Hearing.

Company will have to pay 5 cents per gallon for its gas oil beginning Aug. 1, compared with 3.05 cents under former contract, an increase of 60%. This was testified to at the hearing before the P. U. Commission in the company's application for a raise in rate from 97 cents to $1.15 per 1,000 cu. ft.

Only five municipalities were represented at the hearing which was continued to Sept. 11.

United Rys. of St. Louis—New Officials.

Col. Albert T. Perkins, of St. Louis; has been appointed General Manager to succeed Richard McCulloch, now under indictment on charges of burglary in connection with the theft of referendum franchise petitions in June, 1918. All other appointments, including a successor to Bruce Cameron, also under indictment, will be made later with the approval of the new manager, Receiver Wells stated.

The July 1, 1919, coupons on the General Mortgage 4% bonds are being paid at the Bankers' Trust Co., New York.

Worcester Gas Light Bonds Issue.

New issue of $1,200,000 20-year 5½% first mortgage bonds of the company, just purchased by Harris, Forbes & Co., is the first new issue under the amendment to the savings bank investment law whereby banks can buy first mortgage bonds of Massachusetts gas, electric or water companies doing a gross business of $100,000 a year, which for three preceding years have earned 4% on the stock.

OIL NOTES

Atlantic Gulf Oil Development.

Corporation, subsidiary of the Atlantic, Gulf & West Indies, is making substantial progress in development; 45 miles of 10-inch pipe are to be laid. All pipe purchased is in Mexico. Program contemplates erection of pumping stations, storage tanks, and completion of sea-loading plant. Intended to build 10,000-barrel topping plant at coast terminal to handle part of crude. Corporation should be getting oil to seaboard by Jan. 1, 1920.

Program contemplates expenditure $3,500,000 to be advanced by Atlantic, Gulf & West Indies, which will take bonds in payment.

Brazos Oil on $3 Annual Basis.

It has been announced that management intends to place stock on $3 annual dividend basis in September. Earnings first year estimated at $1,400,000, $7 a share. Company has no bonds or preferred stock.

Columbia Gas & Electric New Well.

A subsidiary has drilled in new well flowing forty barrels an hour, with pay sand only tapped. Located on Glendennin farm, 300 feet away from well brought in last week. This is second completion on acreage in Kanawha County, W. Va., product being Pennsylvania grade. The wells are in the neighborhood of the old Blue Creek field.

Cities Service Co. Stockholders.

Number of Preferred stockholders has increased from 10,169 June 15, 1917, to 15,911 June 15, 1919. On June 15, 1919 there were 12,345 holders.

Common stockholders June 15, 1919 was 3,715, against 3,419 in 1918, and 3,169 in 1917. Individual stockholders of common and preferred on June 15, was 17,723, against 13,757 in 1918, 11,772 in 1917, and 7,118 in 1916.

Commonwealth Petroleum Capitalization.

Corporation, New York, has increased its capital from $20,000,000 to $300,000,000.

Advices from California say the price at which Commonwealth Petroleum will acquire over 200,000 shares of Union Oil Co. under its option is $160, carrying the last quarterly dividends, or $157.50 ex-dividend.

Cosden & Co. Refining 20,000 Bbls. Daily.

Company is handling about 20,000 barrels of oil a day at its refineries, refining the crude down to coke. Its production of crude oil approximates its refining requirements, and the company is making the best showing it has ever made in respect of refining activity and crude output.

Crown Oil Completes 7,000 Bbl. Well.

Merrill, Lynch & Co. in a telegram from the company of Texas, say a well making about 7,000 barrels of oil daily has been completed at Columbia.

Empire Transp. & Oil New Panuco Well.

Empire Transportation and Oil Company's well No. 2 on the Barragan lease at Panuco has been brought under control and closed in.

The well is as good as any ever drilled in the Panuco field, and estimates on its daily production run from 65,000 barrels to 75,000 barrels. Before being brought under control the well flowed a steady stream of oil through an eight-inch hole, fifty foot above the top of a 90-foot derrick.

Advices from Tampico are that heavy rains have washed out railroad tracks and telegraph lines between Panuco and Tampico, so that communication between the two places has been shut off for several days.

Home Oil Orders New Cars.

Company, Texas, has placed an order with the General American Tank Car Co. for over 1,000 steel tank cars of 8,000 gallons capacity each. When the plant of the company at Fort Worth begins operation shortly it will have in service one of the largest fleets of tankers in the country. These cars will shuttlecock between Fort Worth and the Northern markets, shipments of the products being made in trainload lots only, and to the wholesale trade.

Island Oil Record Tank Car Order.

Island Oil & Transportation Corporation has set a new high mark in petroleum history to meet its production expansion and its plans to manufacture and market its products through the Island Refining Corporation. The largest single order for tank cars ever placed has been sent by Richmond Levering & Co., Inc., petroleum engineers, to the General American Tank Car Corporation and accepted by the latter. It calls for delivery of 1,400 tank cars before January, 1920, and involves investment of about $4,000,000. The next largest orders ever given were two of 1,000 each, one of them by the Standard Oil Company.

The Island Refining Corporation, whose stock is wholly owned by Island Oil & Transport Corporation, has engaged Levering & Co., Inc., to construct and equip its refineries in Mexico, Louisiana, Massachusetts and Cuba, all except the last to be in operation early next year. They will manufacture all petroleum products.

These refineries will handle petroleum exclusively from the wells of Island Oil, which has been shipping monthly from Mexico, 500,000 to 700,000 barrels, less than one-half of its production capacity.

International Petroleum Sued.

T. E. Wing, stockholder of the company, has brought suit in the Federal District Court, asking for injunction against the plan of financing which he alleges is to be adopted by the stock holders.

The company has 110,000 acres in the Tampico Oil fields, as owner and lessee, and is owner of the International Oil & Pipe Line Co., a Mexican corporation.

The plan opposed has the support of J. H. Hammond, Harris Hammond and F. N. Watriss as a committee controlling the voting trust, and calls for sale of $11,500,000 in face value of debentures and 172,500 shares of stock of new company for $10,100,000. All improvements would be made from proceeds of sale belonging to new company. Wing holds 16,728 preferred shares and 28,825 shares of the common stock.

Mexican Petroleum Operations.

The company is now getting 12% to 13% gasoline of crude oil at its plant in Tampico. This is considered satisfactory. It is reported company interests have perfected a system for extraction of gasoline from Mexican crude to result in an even better yield.

The company has signed new contracts for 6,000,000 barrels of fuel oil with domestic consumers. This has no connection with foreign developments, an announcement of which is expected shortly.

Pierce Oil New Financing.

Corporation has announced a plan giving holders of its ten-year 5% debentures of 1924 the privilege of converting each $100 bond into one share of preferred stock, whose par value is $100. Provision has been made for the redemption on Jan. 1, 1920, of all debentures not so exchanged. Those making the conversion must deposit their debentures with the Guaranty Trust Co. by Aug. 15. The preferred stock is to be part of a total authorized issue of $15,000,000 which bears dividends at the rate of 8%. The issue is to be convertible before Jan. 1, 1923, into an equal par amount of Class B common stock. The entire issue has been sold to Lehman Brothers and Goldman, Sachs & Co.

Prairie Oil & Gas Expansion Plans.

According to Vice-president Moody, the corporation has adopted plans for expanding its producing and transportation operations in Desdemona and other Central West Texas fields. Mr. Moody said:

"The Ranger section of Texas is the best field in America. The Prairie Line Co. will have a four-inch line into Desdemona in four weeks. The production department will handle 8,000 barrels daily. It will be replaced, probably in three months, by an eight-inch line, taking care of 20,000 barrels daily."

The new line will tie into the main line of the Prairie Pipe Line Co. at Gorman, involving laying of 8 miles of line. Survey for the line has been completed and work of laying is under way.

Royal Dutch Increased Profits.

Net profits of the company in 1918 were $29,020,000, compared with $17,838,000 in 1917, according to Joseph Walker & Sons.

Company paid a dividend of 40% on $68,766,000 against 48% on $34,383,000 in 1917. The insurance fund of the Battafsche Co. was increased from $15,300,000 to $19,700,000. The Battafsche increased its capital by 50% and the Royal Dutch received $16,884,000 stock or 60% of the increase. The Battafsche paid on its increased capital a dividend of 43% compared with 30 5-7% in 1917. The Shell Transport Co. issued a bonus of shares, of which the Royal Dutch received 362,799 pounds. It now holds a total of 967,464 pounds Shell shares.

The chairman of the company in his report says that because of the great reduction in the output of coal, which will amount to 100,000,000 tons in 1919, there is an enormous demand for liquid fuel. The prices of the same, as well as other oil products, continue high, and considering that the visible supply of the world of 40,000,000 tons was contracted for before the coal shortage, there is little possibility of a reduction in oil prices.

Sinclair Cons. Oil Gets Texas Permit.

Company recently incorporated in Delaware has been granted a permit to do business in Texas. The new company has taken over extensive oil lease holdings of the Sinclair Gulf Oil Co. in the Burkburnett and other fields of Central West Texas, and will proceed to development on a large scale.

Sinclair Gulf Assets.

The report of the company says: Total assets on Dec. 31, 1918, were $61,605,635. Against these, current liabilities, bond notes and purchase money obligations totaled $11,899,422, and there were 741,202 shares of stock outstanding.

Sinclair Oil Report

The 6 months' report states that the total assets on Dec. 31, 1918, were $111,514,625. Against these current liabilities, bonds, notes and purchase money obligations totaled $32,089,286.

Standard Oil of California Developments.

One of the biggest oil developments in the country is on in the southern California fields. Some oil men believe the richness of the discovery may exceed that of Ranger and the north central Texas fields. This company and the Union Oil Co. stand to benefit most from the new discoveries.

Standard Oil of Indiana Prices.

The company has reduced the price of gasoline 2 cents a gallon in Chicago, Minneapolis and St. Paul and 1.9 cents in St. Louis and one cent throughout the remainder of its territory, comprising nine states. The company has advanced the price of kerosene one cent a gallon throughout its entire territory.

Standard Oil of New Jersey German Trade.

Resumption of trade relations with Germany is expected to be of much importance to the company, which had a large share of the German oil trade prior to the war. It is understood the company already has taken steps for the resumption of this business.

A report by Director of Prices and Licenses Maguire of the U. S. Fuel Administration, discusses failure of dissolution of the company to give desirable results and describes wide variance in prices and marketing practices among various districts of country, and suggests method of fixing uniformly graded price on gasoline at a point in Oklahoma.

Standard Oil Co. of New York Prices.

The company raised the price of kerosene one cent a gallon to 15 cents, tank wagon basis, in lower New York State and Connecticut. The price of gasoline in this territory is unchanged.

Orders from the general offices of the company have been issued to stop all work at the Devoe plant in Long Island City, where the workers went on strike, demanding an increase of 11 cents an hour. The orders affected the plants allied with the Devoe works along the East River front. The Pratt works and the shipping division in the Blissville section are not affected.

Southern Oil 6% Serial Gold Bonds

A. E. Fitkin & Co., N. Y. and R. E. Wilsey & Co., Chicago, are offering at prices to yield from 6.75% to 7.50% according to maturities, $1,000,000 1st (closed) mortgage 6% serial gold bonds, dated July 1, 1919, due serially, $150,000 each July 1, 1920 to 1924, and $250,000 July 1, 1925. Interest January and July, in Chicago or New York. Denomination $1,000 and $500. Callable in whole or in part on any interest date up 60 days' notice at 102 and interest. Company agrees to pay the normal Federal income tax up to 2%.

MINING NOTES

American Zinc, Lead & Smelting Outlook

As the price of zinc has moved up to 8 cents per lb., and lead to 5½ cents, the company faces brighter prospects; the company is beginning to make a profit. For the first six months of 1919 income equalled outgo.

Although the zinc market has turned, and the producer can make money, there is no great profit at present prices. On its production from the Mascot and Joplin mines, the company can make a substantial profit, but as fast as the price of zinc goes up the cost of custom ore advances in proportion and the margin of profit remains the same.

Anaconda Plant Hurt by Drought

Company's Washoe Smelting works is unable to operate over 6% capacity on account of low water. Sustained drought has pulled the water mark down to new low levels. Silver Lake, the chief source of supply, is almost exhausted and special pumping apparatus will be installed to bring water from Georgetown lake, 3 miles distant.

Butte & Superior Damages Not Ordered

The statement that Federal Judge Bourquin had decreed that the company must pay to the Minerals Separation, Ltd., between $15,000,000 and $20,000,000 damages has been denied.

Judge Bourquin in his finding ordered an accounting, and after final entry of the decree ordered Butte & Superior to file a statement of its earnings and profits from oil flotation by Oct. 29. Neither damages nor the amount to be paid was passed upon.

D. C. Jackling has inspected the property of the company and conferred with Butte, Mont., officials in connection with the Minerals Separation and the Elm Orlu litigation. He expects further enhancement of the zinc market and looked for continued improvement in the price of copper.

Calumet & Arizona Development

Company is now developing a new subsidiary, the Gadsden, a promising prospect adjoining the United Verde Extension property in the Jerome district. Of Gadsden's 1,000,000 shares, the company owns 700,000. The 760 acres comprising the Gadsden claims extend southeastward from the United Verde Extension boundary along the strike of the Great Fault.

Calumet & Hecla Production

June outputs of the company and subsidiary mines, in pounds, are given below:

Ahmeek, 500,232; Allouez, 138,340; Cal. & Hecla, 3,221,220; Centennial, 87,900; Isle Royale, 655,400; LaSalle, None; Osceola, 603,569; Superior, 33,100; White Pine, None. Total 5,439,761.

Central Coal & Coke Strike

All mines of the company in the Kansas field are idle, the strike order issued by the United Mine Workers, having gone into effect. About 1,400 men are involved. The miners say they have been unable to settle numerous grievances with the company.

Chino Copper June Output

Company in June, 1919, produced 3,615,458 lbs. copper, against 3,583,396 lbs. in May.

Diamond Coal Co. May Merge

It is reported by bankers at Pittsburgh that overtures are under way to combine the J. H. Hillman & Sons Coal Co., and the Diamond Coal Co. Even if the plants are not merged, there may be a sale of several of the Diamond's Allegheny river parcels to the Hillman interests, $2,000,000 being involved.

Homestake Mining Income

Income account of the company for the year ended Dec. 31, 1918, compares as follows:

Total receipts, $6,121,347, $6,876,974; Op. exp., tax, etc., $4,399,147, $4,274,061; Depreciation, $549,849, $563,600; Depletion, $821,884, $843,930; Balance, $305,417, $1,195,383. Dividends, $1,506,960, $1,959,048. Def. for yr., $1,201,543, $763,665; Prev. surp., $1,189,403, $949,934; Adjustment, $392,671, $1,003,134; Total surp., $380,531, $1,189,403.

Inspiration Consolidated Cuts Costs

Company has been able to effect a somewhat lower production cost than in 1918, due to the wage cut of six months ago and lower prices for materials. The company did not earn in the past six months the dividends paid.

With a monthly yield of 6,000,000 lbs. of copper, the company has been running at half capacity. It has been difficult to get sufficient men in Arizona and much of the available labor has been inefficient.

At the beginning of the year Inspiration had on hand 28,000,000 lbs. of unsold copper, but sales of the past few months have cut into this.

Isle Royale to Raise Output

As soon as the company is able to add to its working forces, it will expand production. It is at present operating at 50% of capacity, but compared with what its new equipment and enlarged openings underground are capable of, it is producing at but 35%.

North Butte Mining Co. Makes Strike

Company has made a strike on the 900-foot level of the Sarsfield claim.

For two years North Butte has been concentrating on development of the Sarsfield. The ore shows a width of from 30 to 40 feet with estimated copper content of over 3%, and with 19 feet averaging 6%.

Company at present is doing 2,000 ft. of development work a month. At its Speculator mine four different levels are being reopened preparatory to increasing production.

In all probability, the company will now expand production; it can make a good profit on the present price of copper.

Superior & Boston Copper Assessment

This company has called an assessment of one dollar a share, payable on or before Aug. 8, 1919, at the Boston Safe Deposit & Trust Co. This payment will make $8.50 paid in on the shares, the par value of which is $10. The assessment will provide funds for important development work decided upon following an encouraging report from C. W. Botsford as to the holdings of the company in the Globe District of Arizona.

UNLISTED INDUSTRIALS

Aetna Explosives Reorganization

Readjustment managers of the company have announced that nearly all bonds and stockholders of the company have assented to the readjustment plan as amended in June. The plan has been approved by directors. Holders of certificates of deposit for bonds electing to take cash will receive $850 and accrued interest on or after July 17, up to July 30, on surrender of their certificates of deposit.

American Milling Pfd. Stock

Corn Belt Investment Co., Peoria, Ill., is offering at 100 and div. $350,000 7% Cumulative Sinking Fund Preferred (A. & D.) stock.

Ames-Holden Tire Bond Issue

Greenshields & Co., Nesbit, Thompson & Co., and Thornton Davidson & Co. are offering $1,000,000 7% first mortgage S. F. bonds of the company, with a 20% common stock bonus, at par and interest. The bonds are

dated July 1, 1919, and mature July 1, 1939, but are subject to prior redemption at 105 and interest on any interest date after Jan. 1, 1921. The issue is guaranteed as to principal and interest by Ames-Holden McCready, Ltd.

Atlantic Sugar Back Dividends

Plans are being considered by which the five years' dividend arrears of the company may be paid shortly, part in cash and the balance by preferred stock. The amount now in arrears is $875,000, and there is in the treasury $500,000 of stock authorized bu: unissued, which would leave a balance of $375,000 to be paid in cash. The company is doing a steady export business.

Chalmers Motor Shipments

Corporation is now shipping 60 cars daily and has orders on hand for 3,000.

Fisk Rubber Business Volume

Company will easily do $40,000,000 gross business this year and may do $45,000,000 worth. With Federal Rubber Co., which it controls, it will come close to handling a volume of $60,000,000.

International Motor Truck Merger

Directors of the corporation and the Wright-Martin Aircraft Corp. have approved a plan for merger of the two companies. A committee representing the leading shareholders of both companies has been formed. It consists of Charles Hayden, chairman; F. B. Adams, A. J. Brosseau, J. B. Clews, G. H. Houston, Ambrose Monell, H. K. Pomroy and A. V. Stout.

Mullins Body Stock Disposed of

Hornblower & Weeks have sold privately $1,000,000 8% preferred and $30,000 shares of common stock of the company, the latter of no par. The company makes automobile bodies, fenders and parts for Packard, Cadillac, Pierce-Arrow, Locomobile, Peerless, Stearns and Baker Electric. Because of heavy advance subscription the books were not opened. Application will be made to list both classes of stock on the New York and Boston exchanges.

Packard Dividend

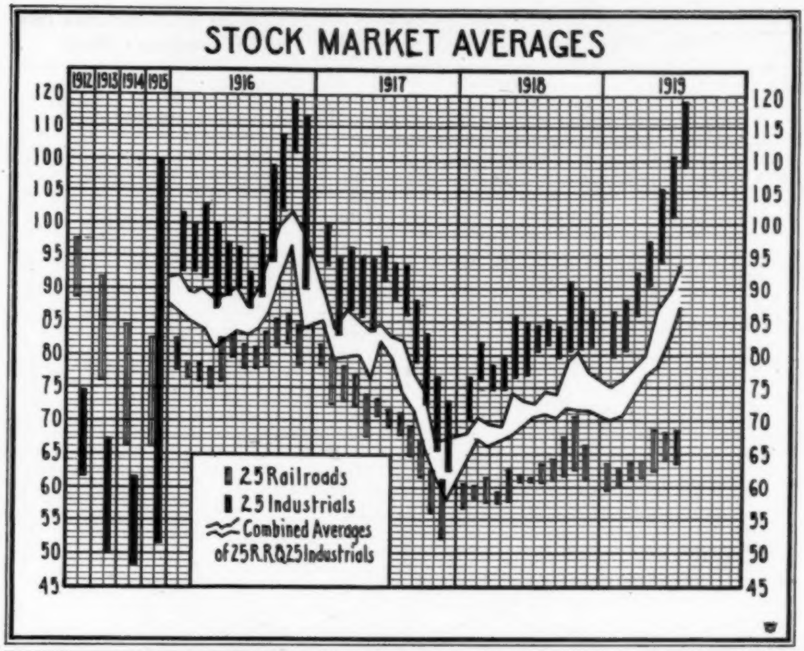
The company has declared a quarterly dividend of 2½% on the common stock, payable July 31 to stock of record July 15. Previous declarations have been 2% quarterly.

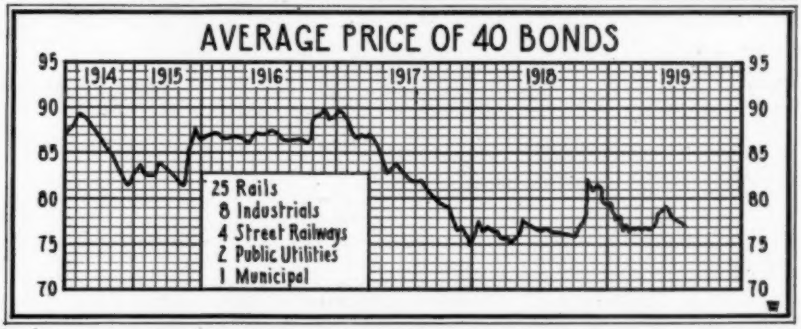
Tobacco Products Export Corp. to Handle American Tob. Co. Product

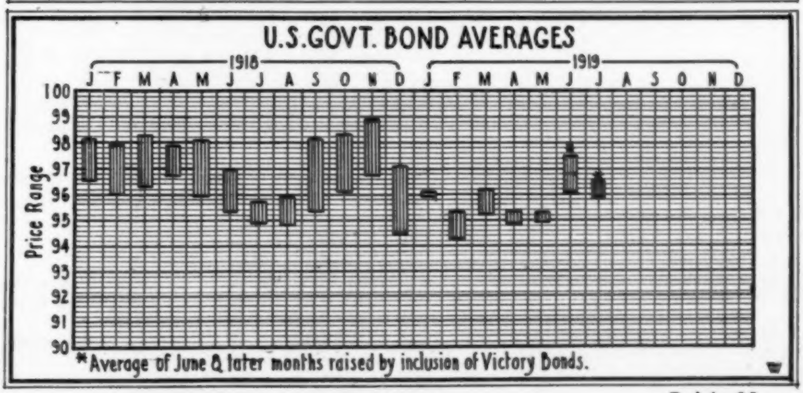
Corporation has secured the sole right to handle the products of the American Tobacco Co. in foreign countries as well as the products of the Tobacco Products Corp. The arrangements are said not to conflict with the anti-trust laws, as the Webb Act does not apply to agreements in foreign fields. It is said application will shortly be made to have the stock of the Tobacco Products Export Corp. listed on the N. Y. Stock Exchange.

MARKET STATISTICS

	N. Y. Times	Dow Jones Avgs.		N. Y. Times —50 Stocks—		
	40 Bonds	20 Inds.	20 Rails	High	Low	Total Sales
Monday, July 14	77.58	112.23	80.58	92.70	90.70	1,809,500
Tuesday, July 15	77.58	111.66	81.71	93.20	91.19	1,846.610
Wednesday, July 16	77.55	111.47	81.45	93.46	91.33	1,806,488
Thursday, July 17	77.52	110.65	82.92	93.56	91.34	1,696,581
Friday, July 18	77.46	110.69	82.31	92.10	90.38	1,458,450
Saturday, July 19				Holiday		
Monday, July 21	77.37	107.24	81.22	91.86	89.33	1,492,984
Tuesday, July 22	77.24	109.34	80.51	90.84	88.86	1,324,733
Wednesday, July 23	77.33	110.73	88.58	92.01	90.69	1,498,055
Thursday, July 24	77.38	109.98	88.12	92.48	90.70	1,600,240
Friday, July 25	77.29	110.03	88.25	92.00	90.52	1,025,490
Saturday, July 26	77.24	110.10	88.40	91.87	91.07	462,910


STOCK MARKET AVERAGES
1912 1913 1914 1915 1916 1917 1918 1919
25 Railroads
25 Industrials
Combined Averages of 25 R.R. & 25 Industrials


AVERAGE PRICE OF 40 BONDS
1914 1915 1916 1917 1918 1919
25 Rails
8 Industrials
4 Street Railways
2 Public Utilities
1 Municipal


U.S.GOVT. BOND AVERAGES
1918
1919
J F M A M J J A S O N D J F M A M J J A S O N D
Price Range
*Average of June & later months raised by inclusion of Victory Bonds.

To July 26

IMPORTANT DIVIDEND ANNOUNCEMENTS

To Obtain a Dividend Directly from a Company the Stock Must Be Transferred Into the Owner's Name Before the Date of the Closing of the Company's Books

Ann. Rate	Name	Amount Declared		Paid to Holders as of	Payable
	A				
....	Am Br Sh & Fdy,p.ext.	1 %		Sept. 20	Sept. 30
8%	Amer Druggists Synd.	4 %	S	July 31	Sept. 15
....	Amer Ice, p ext.....	1 %		Oct. 15	Oct. 25
7%	Amer Linseed, p.....	1¾%	Q	Sept. 15	Oct. 1
7%	Amer Sugar Refin, p..	1¾%	Q	Sept. 2	Oct. 2
7%	Amer Sugar Refin, c..	1¾%	Q	Sept. 2	Oct. 2
7%	Am Sumatra Tob, p..	3½%	S	Aug. 15	Sept. 1
7%	Amer Win Glass Co, p.	3½%	S	Feb. 19	Mar. 1
$6	Amer Zinc, Ld & Sm, p	$1.50	Q	July 28	Aug. 1
6%	Assoc Drygoods, 1st p.	1½%	Q	July 29	Sept. 2
7%	Assoc Drygoods, 2d p.	1¾%	Q	July 29	Sept. 2
6%	Atch, Top & S Fe, c..	1½%	Q	July 31	Sept. 2
	B				
....	Barrett Co, c ext.....	1 %		Dec. 21	Jan. 2
8%	Beth Steel, 8% p....	2 %	Q	Sept. 15	Oct. 1
7%	Beth Steel, 7% p......	1¾%	Q	Sept. 15	Oct. 1
6%	Bordens Cond Milk, p.	1½%	Q	Aug. 30	Sept. 15
6%	Bordens Cond Milk, p.	1½%	Q	Dec. 1	Dec. 15
8%	Brooklyn Edison	2 %	Q	Aug. 21	Sept. 2
10%	Burns Bros, Inc, c...	2½%	Q	Aug. 1	Aug. 15
....	Burns Bros, Inc, c ext.	x2½%		Aug. 1	Aug. 15
	C				
7%	Canada Cement, p....	1¾%	Q	July 31	Aug. 16
7%	Chic, St P, M & O, p.	ss3½%	S	Aug. 1	Aug. 20
5%	Chic, St P, M & O, c.	ss2½%	S	Aug. 1	Aug. 20
5%	Cinc, N O & T P, p..	1¼%	Q	Aug. 23	Sept. 2
6%	Cities Service, p......	½%	M	Sept. 15	Oct. 1
6%	Cities Service, c.....	½%	M	Sept. 15	Oct. 1
....	Cities Service, c ext..	e1 %		Sept. 15	Oct. 1
4%	Columbia Gas & Elec.	1 %	Q	July 31	Aug. 15
7%	Consolidated Cigar ..	a2 %		Aug. 15	Sept. 1
7%	Curtiss Aerop & M, p.	3½%	S	Jan. 3	Jan. 15
	E				
....	E. Butte Copper Min.	$1.50		Dec. 7	Dec. 31
....	Eastman Kodak, c ext.	5 %		July 31	Sept. 1
4%	Eisenlohr(O)& Bros, c.	1 %	Q	Aug. 1	Aug. 51
	F				
6%	Federal Sugar Refin, p.	1½%	Q	July 21	Aug. 1
7%	Federal Sugar Refin, c.	1¾%	Q	July 21	Aug. 1
7%	Fisher Body, p.......	1¾%	Q	July 21	Aug. 1
	G				
$2	Gaston, Wms & Wigm.	50c	Q	Aug. 1	Aug. 15
7%	General Cigar, p.....	1¾%	Q	Aug. 25	Sept. 2
4%	Goodrich (B F), c....	1 %	Q	Aug. 5	Aug. 15
7%	Gulf States St, 1st p..	1¾%	Q	Sept. 15	Oct. 1
7%	Gulf States St, 1st p..	1¾%	Q	Dec. 15	Jan. 2
6%	Gulf States St, 2d p..	1½%	Q	Sept. 15	Oct. 1
6%	Gulf States St, 2d p..	1½%	Q	Dec. 15	Jan. 2
	H				
4%	Hart, Chaf & Marx, c.	1 %	Q	Aug. 20	Aug. 30
$4	Haskell Barker Car..	$1	Q	Sept. 15	Oct. 1
7%	Hercules Powder, p..	1¾%	Q	Aug. 5	Aug. 15
	I				
7%	Illinois Central	1¾%	Q	Aug. 6	Sept. 2
....	Indiana Pipe Line, ext	$1.50		Jan. 25	Feb. 15
	K				
....	Keyst Tire & R, c ext.	e15 %		Sept. 2	Sept. 15
	L				
7%	Lake of Woods Mill, p	1¾%	Q	Aug. 20	Sept. 1
12%	Lake of Woods Mill, c	3 %	Q	Aug. 20	Sept. 1
....	MacAnd & Forbes,c ext	2½%		Dec. 31	Jan. 15
	M				
7%	May Dept Stores, p..	1¾%	Q	Sept. 15	Oct. 1
6%	May Dept Stores, c..	1½%	Q	Aug. 15	Sept. 1
$2	Miami Copper	50c	Q	Aug. 1	Aug. 15
	N				
6%	National Acme	1½%	Q	Aug. 15	Sept. 1
7%	National Biscuit, p....	1¾%	Q	Aug. 16	Aug. 30
7%	National Biscuit, c....	1¾%	Q	Sept. 30	Oct. 15
7%	Nat Enam & Stamp, p	1¾%	Q	Sept. 10	Sept. 30
6%	Nat Enam & Stamp, c	1½%	Q	Aug. 11	Aug. 30
....	Nat'l Lead, x evt...	tt1¼%		Nov. 8	Nov. 15
16%	New Jersey Zinc.....	4 %	Q	July 31	Aug. 9
....	New Jersey Zinc, ext.	2 %		July 31	Aug. 9
....	N Y Ont & West, c..	1 %		Aug. 2	Aug. 20
4%	Norfolk & Western, p.	1 %	Q	July 31	Aug. 19
7%	Norfolk & Western, c.	1¾%	Q	Aug. 30	Sept. 19
	O				
....	Ogilvie Fl M, c ext...	15 %		Sept. 27	Oct. 1
....	Owens Bt Mach, c ext.	xx50c		Sept. 22	Oct. 1
	P				
6%	Pac G&El(Cal), 1st p.	ff1½%	Q	July 31	Aug. 15
6%	Pac G&El(Cal), or p.	ff1½%	Q	July 31	Aug. 15
7%	Penmans, Ltd., c.....	1¾%	Q	Aug. 5	Aug. 15
$1.50	Phila Co, old p......	$1.25	S	Aug. 9	Sept. 1
7%	Pittsburgh Steel, p....	1¾%	Q	Aug. 15	Sept. 1
7%	Pittsburgh Steel	1¾%	Q	Aug. 15	Sept. 1
6%	Pitts & West Va, p..	1½%	Q	Aug. 14	Aug. 30
20%	Procter & Gamble, c..	2 %	Q	July 23	Aug. 15
....	Procter & Gamble,c ext.	e4 %		July 23	Aug. 15
8%	Pullman Co.	2 %	Q	July 31	Aug. 15
	Q				
6%	Quaker Oats, p......	1½%	Q	Aug. 1	Aug. 30
	R				
$2	Reading Co, 1st p....	50c	Q	Aug. 26	Sept. 11
....	Royal Bkg Pow, c ext	2 %		Dec. 14	Dec. 31
	S				
....	Stand Oil of Cal, ext.	xx2½%		Feb. 15	Mar. 15
8%	Stewart-Warner	2 %	Q	July 30	Aug. 15
$8	Superior Steel, 2d p..	$2	Q	Aug. 1	Aug. 15
$8	Cuperior Steel, 2d p.	$2	Q	Aug. 1	Aug. 15
....	Swan & Finch, ext...	2 %		Aug. 1	Sept. 3
	T				
....	Texas Co.	x10 %		Dec. 30	May 1
6%	Tobacco-Products, c. .	1½%	Q	Aug. 1	Aug. 15
....	Tobacco-Prod, c ext	Ne10 %		Jan. 2	Jan. 15
....	Twin City Rap Trans, s	1 %		Dec. 16	Jan. 2
	U				
7%	Underwood Type, p..	1¾%	Q	Sept. 5	Oct. 1
4%	Underwood Type, c..	2 %	Q	Sept. 5	Oct. 1
....	Union Bag & Pap,ext.	xx2 %		Feb. 5	Feb. 15
6%	United Drug, 2d p...	1½%	Q	Aug. 15	Sept. 1
....	United Drug, c ext....	1 %		Dec. 16	Jan 2
7%	United Dyewd Corp,p.	1¾%	Q	Sept. 13	Oct. 1
5%	U S Ct Ir Pipe & Fy,p.	1¼%	Q	Sept. 1	Sept. 13
	V				
....	Va Caro Chem, c ext..	2 %		Sept. 16	Oct. 1
....	Va Ry & Pr, c.......	2.51¼		Sept. 20	Oct. 21
	W				
8%	Woolworth (F W), c..	2 %	Q	Aug. 11	Sept. 1

a—Initial dividend.

e—Payable in common stock.

ff—To be declared July 31, 1919.

ss—Subject to the approval of the Director General of Railroads. N. Y. Stock Exchange ruled stock does not sell ex-div. on stock of record date.

tt—For purpose of United War Work Campaign.

x—Declared payable in stock.

xx—Payable in Liberty Loan Bonds.